2

ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 178 Number 5270 New York 7, N. Y., Thursday, November 5, 1953 Price 40 Cents a Copy

EDITORIAL

As We See It

Another election day has passed into history. The usual cross currents, often of local interest, only have muddied the waters. There are now, and there will continue to be heard, lengthy post-mortems, one finding in what has happened a clear omen of certain things to come, and the other reading in the signs a meaning quite the opposite. Time and time only will serve to settle such arguments as these. The multitude of local campaigns and the problems which they have posed for the politicians in Washington, and for the President who, one imagines, would like to remain aloof from much of all this, can scarcely leave the thoughtful citizen unmoved, even though they are in essence quite familiar.

The professional politician is, of course, occupied with thoughts about what these by-elections portend for the national elections to come next year; the ordinary observer who has the good of his country rather than the success of any particular party closest to his heart, is concerned chiefly with what the effects are to be on the behavior of Congress during the coming session. The House of Representatives is, of course, made up of men who for the most part are elected by relatively small numbers of voters whose interest is far more local than national, and whose views are a great deal more provincial than country-wide. Only a third of the Senate is up for election and a larger segment of the population takes part in the selection of a member of the Upper House, but a Senator is usually a professional politician who is at all times acutely aware that the voters of his state, rather than the voters of

Continued on page 30

American Monetary Policies And Their Impact on World

By PHILIP CORTNEY*
President, Coty, Inc.

Mr. Cortney contends U. S. monetary policy has had an inflationary bias since its beginning, but only since World War II has its impact been felt in the rest of the world. Says U. S. has adopted an inflationary, nationalistic monetary policy in support of a grandiose dream of an American perpetual boom. Concludes only practical solution of our domestic and international problems is a return to the international gold standard system. Opposes, however, increase in gold price except as means of restoring the international gold standard system, and lays cause of 1929 depression to maintenance of prewar 1914 price of gold in period of an inflated price level.

During World War II and immediately after we had plans which aimed at reestablishing free convertibility of currencies and the restoration of unhampered non-discriminatory multilateral trade. For a variety of reasons, since 1947 or thereabouts we abandoned the pursuit of these goals and we adopted a policy of expedients.

Philip Cortney

Our most recent foreign economic policy consists of three main expedients:

(1) To appoint studying committees who by their very composition are supposed to recommend a foreign economic policy which will satisfy both the protectionists and those who stand for liberalizing international trade.

(2) To provide foreign countries with free advice as to proper fiscal and monetary policies.

(3) To give aid or make off-shore purchases in order to atone for our nationalistic economic and monetary policies and help maintain the interna-

Continued on page 32

*A paper by Mr. Cortney delivered before the Boston Conference on Distribution, Boston, Mass., Oct. 19, 1953.

Funds Take Cautious Attitude Toward Market

By HENRY ANSBACHER LONG

Reserves of cash and governments increase to a quarter billion dollars and holdings of corporate bonds and preferreds are stepped up in several balanced portfolios. Rails, autos, building, steels and metals sold. Buyers still predominate in defensive stocks such as the utilities, natural gas, food and tobaccos. Chemicals and aviation issues also bought on balance.

An increasingly cautious attitude was assumed in the third quarter of the year by the majority of investment company managers as reserves of cash and governments were stepped up. Any noticeable buying on balance, of stocks, mostly in defensive issues, was limited to a quarter of the companies surveyed. Those funds in which purchasing predominated were among the largest open-enders and thus a somewhat misleading impression of the over-all buying has been gained by the public. Goliaths such as Massachusetts Investors Trust, Fundamental Investors and State Street among the stock funds and Wellington, Investors Mutual and Eaton and Howard among the balanced companies did buy considerable common stock on balance. But the function of this survey is not to evaluate management opinion with its importance measured by the size of the individual fund, but to analyze the portfolio transactions of 46 supposedly competent managers of 63 investment companies and present an over-all consensus of their investment judgment.

Henry A. Long

Light Buying

Thus, among the open-end stock funds, while 15 bought on balance, five of these purchased so lightly as scarcely to credit them with an optimistic attitude toward stocks. Similarly, there were only six balanced funds which really indicated a willingness to add to equities during

Continued on page 18

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 42.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Acme Industries—Ralph DePasquale, Partner, DePasquale Co., New York City. (Page 2)

Gruen Watch Company—Edmond P. Rochat, Partner, Grady, Berwald & Co., Inc., New York City. (Page 2)

RALPH DePASQUALE

Partner, DePasquale Co., New York City

Acme Industries

None are as enthusiastic about their future as those engaged in the air conditioning business. Since only 1% of all homes wired for electricity are air conditioned, the industry is in for terrific growth and it is one we can say with confidence must prosper. The industry is now booming and the prospects are that it will continue at boom tempo for some years to come! This year all records for sales and profits were broken. The industry is "red hot."

Ralph DePasquale

As seekers of growth situations, we have been looking for companies in this industry in the hope of cashing in on the future earnings and the rising values of their common stocks. In January, when Brunner Manufacturing common was selling at $5.00 a share we recommended its purchase. It has since sold as high as $8.00 and is now selling at about $6.75. Another stock in this booming line still in the "sleeper" class which we are now recommending is Acme Industries common which is traded in the over-the-counter market (present market 6¾-7). While many air conditioning companies' stocks are selling for two or three times their book value, Acme Industries common is available at about book.

The first phase of the air conditioning boom and the one receiving the most public notice has been the skyrocketing sales of window units. But of growing importance and destined to be much larger in dollar volume, is the vast industrial requirements for new factories, large apartment developments, office buildings, hospitals, theaters, churches and new homes, etc.

According to a recent survey about 100 homes wired for electricity in each 10,000 are equipped with year-round air conditioning and temperature control. Experts predict that within five years 50% of all new construction will be air conditioned. More and more developers now feature, even for homes selling as low as $10,000, year round air conditioning units. The majority of these units simply are a package containing an air conditioner and an oil or gas burner. This combination unit is on the market barely one year and already developments have been so rapid that it is practically obsolete, for on the scene has appeared the fabulous "heat pump."

The "heat pump" is different from the present units in that it not only manufactures cold air when required but by simply reversing the cycle the same unit manufactures warm air for use on cold days. While most companies are just getting into this market, Acme Industries has pioneered in the field and has successful installations in operation for several years.

The "heat pump" has a mild unexciting look about it. As a marketing item it is still a baby, yet it has already caused a furore in the air conditioning industry. There are homes today being heated without burning a single lump of coal, a drop of oil, a cubic foot of gas or an armload of kindling. Believe it or not, the "heat pump" not only eliminates the need for storage space for coal or oil but also a chimney! Its requirements are simply electricity and water, or electricity. Units are now in operation in homes, hotels, motels, stores, hospitals, offices, etc., providing all the comforts of central heating, plus year-round air conditioning, humidity control and the continuous circulation of clean filtered air.

For those unfamiliar with the "heat pump" let it be said that there is nothing new in the principle behind it. If you own an electric refrigerator, you already have a machine of the same basic type in your home. You usually think of the refrigerator as a cooling device, but actually it pumps heat out of the refrigerator cabinet into the room. The temperature in the refrigerator is lowered and the temperature in the room is raised. Similarly, a refrigeration machine can pump heat from outdoors, even in the coldest weather and release it in a house, raising the inside temperature to necessary comfort levels. An added feature of the "heat pump" is that it is designed to reverse the direction of the flow of the heat so that, in hot weather, it will cool the house by pumping the heat outdoors. The result is carefree, year-round air conditioning—cooling in Summer and heating in Winter—with a single piece of equipment. If the air conditioning industry can record such an extraordinary growth trend with a single function system, what can the industry accomplish in sales with a double action magic of heating and cooling in the one unit. The "heat pump" will change air conditioning from a seasonal to a year-round industry.

Acme Industries, Inc. of Jackson, Mich. has been a part of the air conditioning and refrigeration industry since 1943. They have spent much of their time building top flight equipment for original equipment manufacturers such as Carrier Corp., Air-Temp Division of Chrysler Corp., York Corp. and other nationally known firms. Many of their units have become the standard of the industry—almost specification models to be copied by other suppliers. (See ad in October "Fortune" issue—first of a series.) Its line is sold by established distributors and contractors throughout the United States. Users read like the "Who's Who" of industry.

Sales Increasing

Sales during the fiscal year which ended July 31, 1953 exceeded all past records. Since 1950 sales have recorded a gain of 145%. An all-out effort is being made to strengthen the company's sales program. Company-operated sales offices are being established throughout the country. The management informed shareowners a few weeks back that its backlog of orders is at a record high and new orders are flowing in at a steady rate that is expected to continue.

Since introducing the "Flow-Cold" product line, which includes the "Flow-Temp Heat Pump" units, in 1950, the company has purposely not pushed these products. The management felt that by withholding an all-out effort, the engineers would have time to iron out the bugs and improve the merits of the line, and also allow the sales department time to survey the market and develop a strong promotional program. Nevertheless, consumer response to the "Flow-Cold" line has been very gratifying to the management. Sales have far exceeded original forecasts.

Sales Fiscal Years Ending July 31

1950	$2,438,000
1951	4,478,000
1952	5,040,000
1953	5,897,000

Company estimated sales for 1954 should be approximately $9,000,000. We have been advised that in anticipation of larger orders, Acme Industries is seeking to acquire additional plant capacity. Sales for the period beginning Aug. 1, and ending Oct. 31, are running nearly 100% higher than for the same period one year ago.

Financial Condition

The company has no bonds or preferred stock outstanding. The capitalization consists of 241,985* shares of $1 par capital stock. **Acme Industries has just declared a 10% dividend in stock payable on Dec. 15, to stockholders of record Dec. 1.**

The company's balance sheet as of July 31, 1953 showed total assets of $2.8 million of which $2.3 million represented current assets. After deducting $1.1 million of current liabilities, net working capital stood at $1.2 million compared with $959,000 the previous year.

To those looking for a sound stock for retail, we suggest looking into the potentials of Acme Industries. Stockholders of this company should derive the full benefits of this company pioneering in the "heat pump" which is now assuming great importance in the industry. With capitalization consisting solely of 266,183 shares of common stock, these shares have great earnings leverage.

From Nov. 9 through Nov. 12, there will be displayed the Acme "heat pump" at the Air Conditioning Industry Show to be held in Cleveland, Ohio.

*After the 10% stock dividend is disbursed outstanding shares will be 266,183.

EDMOND P. ROCHAT

Partner, Grady, Berwald & Co., Inc., New York City

Gruen Watch Company

In these confused times, when most experts and financial prophets bombard the investor with warnings of a business recession, it would seem safer to write on a high-grade bond or hide behind a big name issue with a 50 or 100 year dividend record. In fact, in the last few years, it has been quite prevalent among Wall Street houses to recommend so-called defensive securities. However, in my long experience in the investment

Edmond P. Rochat

Continued on page 9

Debt Limit Increase Needed To Solve Treasury's Problems

By HON. GEORGE HUMPHREY*
Secretary of the Treasury

In pointing out the Administration's financial inherited problems, Secretary Humphrey stresses need of reducing the proportion of the national debt held by banks, and, at the same time, to extend the maturity of the debt by issue of longer term bonds. To carry out these purposes, he urges an increase in the debt limit. Says large C.O.D. orders placed by former Administration drains Treasury's cash and makes it impossible to balance budget quickly. Brands "habit of extravagance in government," and pledges work toward more economy as well as a better planned tax program. Sees potential of mass production best preparation for peace.

Every American wants peace. We are living in a time—not of peace—but of peril.

George Humphrey

In the world today the physical security that this nation once enjoyed by reason of geography and our two broad oceans has now been jeopardized by the long-range bomber and the awful destructive power of atomic weapons.

Continuing discoveries in the field of science can of course be used either for good or evil. But because these discoveries are also known to others in this world who may have different objectives, we cannot be sure that they will be used only for good always.

We must realize that in this time in which we now are living there does exist the possibility of sudden and mass destruction, the swift wiping out of whole cities and populations.

These terrible forces must somehow be brought to the service and the good of the world's people rather than their destruction. This can be done only as a result of a just and durable peace throughout the world.

Our search for this lasting peace cannot succeed on hope alone. We cannot ignore the factual conditions that exist in the world as they may affect our own nation.

This quest for peace is complicated by the inheritance, which this Administration fell heir to ten short months ago, not only of conditions among nations but of conditions affecting the daily lives of each of us here at home.

This inheritance involves matters of foreign relations and the military, as well as financial and economic conditions here in our own country. They are all entwined. I will speak briefly tonight principally of our financial and economic inheritance and programs but, as you will see, they are deeply woven into both foreign policy and defense.

It is sometimes hard to realize how closely the world today is knit together; how foreign policy affects military plans and how together they actually determine the course of our economy right here at home. What we do about what may happen in some foreign land may well determine the number and type of jobs which people right here in Philadelphia will have tomorrow. What happens in the valley of the Nile or in Pakistan or on the plains of Turkey may have a real bearing upon the welfare of our farmers in Kansas and Iowa.

Our foreign policy and our military policy can very largely fix the shape and size of our financial commitments and economic policies. The one and only complete answer to real freedom in America is true, lasting and durable peace throughout the world. For only in peace—in real peace—can this nation and the other peoples of the world go on to the better things which the economies of nations at peace can produce.

Our Financial Inheritance

Our financial inheritance, which complicates all our efforts, includes several areas which I would like to discuss tonight.

First, there is the problem of our huge public debt. When the bonds are issued that have just been sold, it will almost reach $275 billion. The manner in which it has been handled—maturing issues refinanced and new issues placed—in the past 20 years presents a financial inheritance to stagger the stoutest of hearts.

Nearly three-quarters of this debt matures within less than five years or is redeemable at the holder's option. Too large a proportion is in the hands of banks. We are trying to work our way out of this inherited problem by doing two things which will make this public debt less dangerous to the value of money and to the nation's economy. (1) We are trying to extend the maturity of the debt by placing longer term issues. (2) We are trying to move more of the debt away from the banks and into the hands of private investors.

We cannot move on both fronts always at the same time. We cannot move too rapidly to dislocate the sensitive balance of our economy and we must always be guided by current market conditions. But our goal is clear and we are constantly working toward it.

Second, there is the problem of

Continued on page 39

*An address by Secy. Humphrey at the Union League Club, Philadelphia, Pa., Oct. 30, 1953.

INDEX

Articles and News Page

Regular Features

*See article "Forecasts of Interest Rates in 1954" on page 23.
†See article "Funds Take Cautious Attitude Toward Market" on cover page.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, November 5, 1953

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

A Test of Security Analysis

By O. K. BURRELL
Professor of Economics, School of Business Administration, University of Oregon

Prof. Burrell, after discussing techniques of security analysis and market forecasting, concludes on the basis of contributions to the "Chronicle's" continuous forum on "The Security I Like Best," during 1951: (1) while the analysts are not infallible, a better than average result was achieved; (2) there is no indication that the analysts were especially skillful in their selections of industries; (3) there is indication, however, that they did better than average in selecting a company within an industry; and (4) they were significantly more successful in selection of unlisted than of listed stocks.

The issue is reasonably well drawn in investment policy between what may be called the value approach and the forecasting approach. As is usually the case, these categories are not entirely realistic in that probably no one would advocate avoidance of security analysis, or value analysis, and value analysis does necessarily involve some forecasting. But while classification is arbitrary, these two points of view are rather well distinguished.

O. K. Burrell

Perhaps the best statement of the view of security analysis or value analysis is that in the classic volume by Benjamin Graham and David L. Dodd.[1] Another vigorous exponent of this point of view is A. Wilfred May of **"The Commercial and Financial Chronicle."** While it is difficult in a short summary statement to do entire justice to this point of view, perhaps the following short statements convey an impression of this point of view that is roughly accurate although, of necessity, incomplete.

(1) Any time is a good time to buy a good value, i.e., a security that is selling below intrinsic worth as measured by reasonably objective standards.

(2) Forecasting general business or market movements has not been and, from the nature of things, is not likely to be successful. Indeed, if someone were to discover a means of forecasting, it could not possibly be more than temporarily successful because attempts to anticipate market tops and bottoms would necessarily change the price pattern and make the method unreliable.

(3) Operations based on forecasting or market analysis ordinarily mean more active trading and the cost of buying and selling is a serious burden. Operations based on value analysis do not ordinarily lead to active trading.

(4) In value analysis emphasis should not be on near term developments because these, being widely known, are already discounted in the price of the security. Emphasis should be on more fundamental value factors such as assets and probable long range earning power.

(5) The particular attention of the investor[2] should be directed to the following:

(a) The selection of standard senior issues that meet exacting tests of safety; also the selection of standard or primary common stocks which are not selling above the range of reasonable value.

(b) The discovery of senior issues that merit an investment rating but that also have opportunities of an appreciable enhancement in value.

(c) The discovery of common stocks or speculative senior issues that appear to be selling at far less than their intrinsic value.

(d) The determination of definite price discrepancies existing between related securities, which situations may justify making exchanges or initiating hedging or arbitrage operations.

(6) The basic idea is that value analysis will result in selection of securities that will yield relatively satisfactory results even if all the expectations implicit in the original appraisal are not realized. This is because the emphasis is on range of values, margins of safety, and the like.

But security analysis cannot avoid estimates of the future. Stock appraisals depend to a substantial degree on estimates of future business, earnings, and dividends. But it is emphasized that long-range estimates are more useful than attention to near-term developments. Near-term developments are usually discounted in the price of the stock, and the result is that the price of a stock does not always advance when business improves or fall with a decline in business.

Formula Timing As an Escape From Forecasting

The value approach or the security analysis approach may be said to stem from a conviction that, at least in the modern world, forecasting is a logical impossibility. Another investment philosophy that rests upon essentially the same basis is formula planning, or formula timing. It is not appropriate here to discuss formula timing in any detail. It is sufficient perhaps to say that this method of investment timing involves setting up, in advance, buying and selling points based upon the level of the market, or the value of the portfolio. Over a major cycle that first declines and then returns to the starting point, formula timing is almost certain to yield better results than a simple "buy and hold" policy. Formula plans are designed to compel the portfolio manager to take action that is psychologically difficult; to buy when business prospects are poor and prices are low and to sell when prospects are promising and there is a general feeling of confidence. It is not quite accurate, and formula timing advocates undoubtedly would not agree, but it is nearly accurate to say that formula timing is a device to avoid the hazards of timing by action calculated to achieve an average result.

This does not purport to represent an adequate statement of the formula timing case. This has been done competently by Carpenter,[3] Tomlinson,[4] and Cottle and Whitman,[5] as well as others. It is merely noted here that formula timing is an approach based on an avoidance of forecasting. It is interesting to note, however, that formula timing, like the value approach, does necessarily involve some forecasting. The choice of a particular formula must necessarily take into account an estimate of the amplitude and duration of future market fluctuations.

Two Kinds of Forecasting

It is useful to distinguish between what may be called "market analysis" and economic forecasting. An estimate of the future is the objective of both, but otherwise there are sharp differences.

Economic forecasting in general is cause and effect analysis. It considers and appraises economic and political factors and attempts to estimate the probable consequences of expected changes in these casual factors. It is not, of course, a science, and from the nature of things, can never be a science. If someone were to discover a method of forecasting that, on the basis of the past, was completely reliable, it would probably become completely unreliable if knowledge of it became general. Moreover, the factors that must be weighed are usually both cause and effect, and the problem resembles a problem in multiple correlation. In addition, the problem is complicated by the possibility of such unexpected events as changes in rediscount rates or reserve requirements, new taxes, or changes in the political climate.

It is perhaps true that it is inherently more difficult to forecast in a complex controlled economy than in an economy ruled largely by the impersonal free market. It is remarkable, for example, to note the relation of extreme highs and lows in interest rates to stock prices in the pre-1914 period. It was almost always true that extreme highs in interest rates were associated with stock market peaks and extreme low points in interest with stock market bottoms.

Another approach to economic forecasting, now somewhat in disfavor, is based on time sequences in economic data. This method was based on observation that certain economic series had in the past moved with more or less reliable time lags. Usually those who employ this method are not satisfied merely to observe that a certain time sequence has "worked" in the past, but also like to be able to construct some plausible hypothesis as to why it has worked. An example of this method was the so-called "blast furnace index" theory.[6] According to this theory developed by Col. Leonard P. Ayres, security prices were likely to be at a low point when the percentage of blast furnaces in operation declined through 60%, and conversely they were likely to be at peak when this percentage reached 60% on an upswing.

The philosophy of what is called market analysis is rather well summed up in such expressions as "the ticker tells the story" and "the market is its own best forecaster." The basic idea is that human behavior makes markets and that intelligent analysis of price-volume relationships, momentum of prices, or the relationships of prices of some stock groups to other stock groups, will provide valid clues to the future direction of market prices.[7]

The methods used in market analysis in some cases appear to be based upon a plausible hypothesis of social psychology as well as a belief that the method has "worked" in the past. In some cases, methods have been based upon rational studies by competent students employing quite respectable research methods. In other cases, methods of market analysis are bizarre and based upon mere assertion.

The well known Dow Theory, which is based upon the idea of momentum, can be classified as market analysis, since the basic material used is found in the market itself. It is inappropriate to attempt a detailed statement of the Dow Theory. It is enough to say that it purports to be a means of identifying significant turning points in stock prices, not in advance, but sometime after the turn. The value of the method is supposedly in the momentum of the market. If turns can be positively identified even after the event, it is believed that Dow Theory signals can be profitably employed.

Tests of Market Forecasting

Tests of business and stock market forecasts made by competent scholars have not been complimentary to forecasters. Almost without exception these tests have indicated that forecasters and forecasting agencies have not shown evidence of ability to predict business or stock prices consistently. As a matter of fact, the results generally approximate those that could be expected from random forecasting.

It is not in order here to review all these tests of forecasting in any detail. The more significant can be mentioned and very briefly summarized.

One of the earliest studies was by Garfield V. Cox[8] of the University of Chicago. The results indicated that business forecasts had not been especially accurate or helpful.

The Cowles Commission for Research in Economics reported in 1933 a study of the record of stock market forecasters.[9] This included an analysis of the forecasting record of William Peter Hamilton from 1904 to 1929 on the basis of the Dow Theory. These forecast would have achieved a result better than a normal investment return but poorer than the result of continuous outright investment in common stocks. On 90 occasions in this period, Mr. Hamilton announced changes in the outlook for stock prices. Of these predictions, 45 were successful and 45 were unsuccessful.

In 1944 the Cowles Commission again reported a study of stock market forecasting.[10] This study was based on the records of 11 leading agencies from 1927 and over periods of 10 to 15½ years. With a single exception the records were not better than might be expected on the basis of random forecasting. The exception was an agency which based its forecasts on the idea of momentum, i.e., that main trends persist for considerable periods. At least on a monthly basis, sequences do significantly outnumber reversals.[11] Curiously, a method of forecasting based on the excess of sequences over reversals will be right most of the time, but will inevitably miss the major turning points.

But No Adequate Tests of Security Analysis

Tests of market forecasting have indicated that the investor can do about as well as the professional forecasters merely by random forecasting. This does not establish that forecasting is a logical impossibility but does suggest that an investment policy based on forecasting is not likely to be consistently successful. But is the alternative of security analysis likely to yield any better results? How accurate and reliable is security analysis? What would have been the result of following the investment recommendations of reputable and well-known security analysts? These are largely unanswered questions. There have been studies of the investment performance of the fire insurance companies[12] which indicate that the stock investments of these companies failed by a slight margin to equal the performance of market averages although it is not clear that these tested only security analysis.

One of the charges leveled at market analysis is that if a reliable method of forecasting were developed it would be useless as soon as it became known, because human efforts to anticipate market movements would eliminate them. Perhaps the same can be said of security analysis. If we were all competent security analysts, there would be no profit in security analysis because securi-

Continued on page 34

1 Graham, Benjamin, and Dodd, David L., "Security Analysis," McGraw-Hill, 1953, especially Chapter 53.

2 From Graham and Dodd.

3 Carpenter, H. G., "Investing Timing by Formula Plans," Harper, 1943.

4 Tomlinson, Lucile, "Successful Investing Formulas," Barron's, 1947.

5 Cottle, Sidney, and Whitman, W. Tate, "Investment Timing," "The Formula Plan Approach," McGraw, 1953.

6 Ayres, Col. Leonard P., "Bulletin of the Cleveland Trust Company," July 15, 1924.

7 The best presentation of this point of view is to be found in an article by Nicholas Molodovsky and Joseph Mindell, "Scientific Basis of Internal Market Analysis," "The Commercial and Financial Chronicle," Dec. 25, 1947.

8 Cox, Garfield V., "An Appraisal of American Business Forecasts," University of Chicago Press, 1929.

9 "Can Stock Market Forecasters Forecast," "Econometrica," V. 1 No. 3, July, 1933.

10 Cowles, Alfred, "Stock Market Forecasting," "Econometrica," V. 12 Nos. 3 and 4, July-October, 1944.

11 Cowles, Alfred, and Jones, Herbert E., "Some A Posteriori Probabilities in Stock Market Action," "Econometrica," V. 5, July, 1937.

12 Rose, Dwight C., "A Scientific Approach to Investment Management," Harpers' 1928. See also Cowles Commission study previously cited.

Business Man's Bookshelf

Building Savings Deposits—Public Relations Council in cooperation with Savings and Mortgage Division, American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

Drug Industry, The—E. W. Axe & Co., Inc., 730 Fifth Avenue, New York 19, N. Y. (paper), 50¢ (25¢ to Public Libraries and non-profit institutions).

Famous Railroad Stations of the World — Adele Gutman Nathan with William C. Baker—Random House, 457 Madison Avenue, New York 22, N. Y. (cloth), $1.75.

From School to Job — (Guidance for Minority Youth)—Ann Tanneyhill — Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y. (paper), 25¢.

Meeting the Six Goals of Executive Compensation — J. K. Lasser and Meyer M. Goldstein — reprinted from "Dun's Review"—Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. (paper).

Outline of Executive Development—Lee Stockford—Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper), $2.00.

Russian Assignment — Leslie C. Stevens — Little, Brown and Company, Boston, Mass. (cloth), $5.75.

Some Basic Aspects of the German Debt Settlement—H. G. Dernburg — reprinted from the Journal of Finance.

Tax Record — Four publications: "Appointments," a tax diary and appointment book; "Payroll and Employees' Tax Record," "Individual Income and Tax Record," and "Business and Tax Record," designed by J. K. Lasser for National Blank Book Co., Holyoke, Mass.

Julien Collins Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Thomas H. Shockey has become associated with Julien Collins & Co., 105 South La Salle Street. Mr. Shockey was formerly with the Mercantile National and prior thereto with Harris Trust & Savings Bank.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

There was a slight contraction in total industrial production for the country as a whole the past week as many plants reduced operations following the recent decline in orders.

Layoffs were reported in a number of industries, and textile mills, shoe plants and consumer durable factories curtailed operations. However, total industrial output remained slightly above that of a year ago. Quite busy were producers of electronic equipment, aircraft, armaments, chemicals and clothing.

The Federal Reserve Board reported this week that industrial production, which normally rises in the autumn, held in October at 232% of the 1935-39 average—unchanged from September.

It further noted that the increase in consumer debt for instalment purchases slowed in September. The United States Department of Commerce stated that September sales of manufacturing firms failed to show the "usual fall pick-up." After allowance for seasonal factors, they were 2% under August levels.

Total claims for unemployment insurance benefits remained slightly higher than the year-ago level, reports state.

Scattered layoffs around the country cut about 3,600 workers off production rolls over the week-end. The reasons given for the cutbacks ranged from "defense stretchout" to "inventory taking." The latest reductions followed a United States Department of Commerce estimate that October employment had dipped about 65,000 below the September total, though the October figure was on a level with a year ago.

The steel industry earned more than twice as much—100.8% more profit in third quarter 1953 as it did in third quarter 1952, according to "The Iron Age," national metalworking weekly. The industry's earnings for the first nine months of this year are 86% higher than they were during the first nine months of 1952.

The brighter profit picture is revealed by a compilation of steel company financial reports just completed by "The Iron Age." Included in the compilation are 21 companies accounting for about 90% of the industry's ingot capacity.

Alltime records established in production, sales, and shipments this year made the higher earnings possible. Operations last year were handicapped by a 54-day strike during June and July.

But the 1953 profit rise is still a significant achievement—even when compared with earnings during the 1951 boom, when previous production, sales and shippment records were established. The industry's third quarter 1953 profits were 49.1% higher than third quarter 1951. For the first nine months of this year earnings were 14.3% higher than for the similar period during 1951, declares this trade authority.

Earnings next year should continue good for two reasons, it points out: First, demand for steel products will continue high—at least during the first half. Second, the excess profits tax is expected to be allowed to expire at the end of this year.

A specific example shows how much profit windfall companies might expect from expiration of excess profits tax. Of $144,000,000 provided for Federal taxes by a large steel producer during the first nine months of this year, $26,700,000 were for excess profits tax.

But labor will be after its share of steel revenue early next year. Most wage contracts in the industry expire June 30. And the United Steelworkers of America has already indicated it will be driving hard for bigger pensions, more social insurance, higher pay, and some form of guaranteed annual wage, states this trade weekly.

Auto buying is expected to spurt in first quarter. And railroad steel orders are expected to be higher in 1954 than they were in 1953. Order cancellations are declining and some firms that canceled steel orders are already coming back into the market for tonnage, this trade magazine observes.

Automotive production should dip this week with Packard and Willys closed temporarily and other auto makers taking it a little easier, states "Ward's Automotive Reports," the current week.

Last week total industry car production was 124,280 units, about the same as the 123,516 in the previous week and 6% ahead of the 116,860 in the like 1952 week, "Ward's" notes.

Despite some recent improvement in the production schedules of the independent auto makers, their share of the industry total has fallen sharply this year. For example, in the month just over alone they accounted for only 4.4% of the industry total. G. M. held 42.6%; Ford, 31.9%; and Chrysler, 21.1%, it adds.

In the first 10 months this year, according to "Ward's," G. M. has turned out 2,501,700 autos for 46.5% of the industry's total, while Ford took 24.5% with 1,317,500 and Chrysler 19.9% with

Continued on page 33

Observations . . .

By A. WILFRED MAY

Strange and Limited Approaches by the SEC

In our two preceding columns we have published commentary mostly critical, on the Securities and Exchange Commission's proposed changes in proxy solicitation. The fundamental point, it seems to this writer, is that the Commission is here repeating its tendency to deal with only a part of the field to be covered, resulting in regulatory pot-shots which are worse than no regulation—or at least wholly inconsistent with the basic "protect-the-investor" philosophy of our securities legislation.


A. Wilfred May

The virtual disfranchisement of the great body of the nation's scattered owning shareholders (along with the policyholder-owners of the mutualized life insurance companies), partly self-inflicted by their own apathy, constitutes a crucial problem which in its full broad aspects should receive the SEC's continuing attempts to unearth a constructive solution. For after two decades of the Commission's functioning, the gap between the owners and the managers of their property remains unbridged.

Manifesting stockholder apathy, the company meeting is sparsely attended; the distributed reports remain mostly unread; and, as in our political elections (vide New York City yesterday), the voting privilege is reacted to with a "what's-the-difference" shrug-off.

On the other side of the medal, when affirmative attempts to participate in corporate affairs are made by the public shareholder, they most always turn out to be futile. Under the existing routine not a single one of the stockholder proposals which have been opposed by management (averaging about 50 a year) has been carried.

Stockholder impotence in such endeavors is quite understandable in the light of the compulsion on the shareholder to keep his proposition and explanation, no matter how complex, within 100 words; a block further aggravated by management's freedom from limitation in the length of its rebuttal. Moreover management can expend large amounts of corporate funds to garner the votes required for its support.

Unsuccessful Remedies

One constructive remedy may lie in organization of the nation's 10 million-or-so scattered and apathetic lay shareholders. But stimulation of stockholder interest has thus far been largely confined in the hands of "public relations" experts, or to a few colorful individuals arousing attention at annual meetings by repeated fire on relatively superficial issues, as compensation, director representation according to sex, or to management's meeting "manners."

Likewise, professional directorates as the remedy for absentee ownership have fallen short. The outside paid "professional director" has provided no cure-all either in England, Holland, or here. Apart from the "window-dressing" danger, there is no warrant for the assumption that the professional director will protect the interests of the public or non-management shareholders; that the receipt of a fee *per se* gives him greater integrity than the nonsalaried director in resisting the undue influence of management. In Canada, where one-third of insurance company directors must be elected directly by the shareholders, it has been found that they have not provided the conclusive answer to the absentee-ownership problem.

Assuredly the problem of a fair balance between management and stockholder power, and curing stockholder apathy—situations that are interacting—is a most difficult one. But, in any event, the solution, whether through regulatory policy or otherwise, should assuredly be inclusive, or at least on a reasonably broad scale.

In emphasizing a few changes in the proxy form, as for restricting the latitude given to the public stockholder for making proposals, the Commission is viewing a tree while overlooking, if not actually hiding, the forest.

* * *

The SEC *Versus* the Investor

Also, in several areas of corporate financial management SEC is meddling in action that is actually antithetical to *protection of the investor*, its basic *raison d'etre* under the founding legislation. In its attitude, and even using compulsion in bond fi-

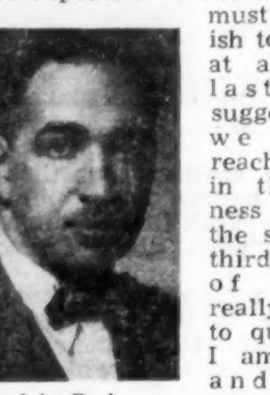
Continued on page 46

Outlook for the Domestic Economy

By JULES BACKMAN*
Professor of Economics, New York University

Professor Backman reviews the various factors which will influence economic activity, and essays to bring some sense of balance out of divergent and extreme forecasts. Says it is clear peak of boom has been passed, and gives the statistical data. Sees decline in armament a reduced business stimulant and forecasts a fall in corporate profits, along with end of inventory expansion and with no reduction in the corporation tax. Looks for lower rate of private debt creation. Concludes coming downward trend will not be anything like serious setbacks of the past, and points out chief segments affected will be automobiles and housing.

I looked at last year's transcript before I got here to find out whether I could face those who were repeaters. I decided that I must be foolish to be here at all since last year I suggested that we would reach a peak in the business cycle in the second or third quarter of 1953. I really ought to quit while I am ahead and get a much-needed rest. However, it's too late for that so what I would like to do is review with you the various factors which will influence economic activity and try to bring some sense of balance out of some of the extreme forecasts which are now beginning to make their appearance.



Dr. Jules Backman

I might add that many of the extreme forecasts in terms of what is about to happen on the way down are from those who couldn't see any downturn as recently as six months ago. That is the way it always is. The optimists in good times are optimistic optimists, and as soon as the tide changes, they become pessimistic pessimists. In other words, they go to extremes.

I find if I want to know where I am going, I ought to know where I am at. So let us take a quick look at where we are at the present time.

Where We Are At

It is pretty clear that we have passed the peak of the recent boom-boom. I use these hyphenated words on occasion because they are the only way you can describe a level of activity of the type we obtained. It wasn't a boom. We were in a boom before Korea. We just put a boom on top of a boom. That makes it a boom-boom. On the way down, activity is cut back to boom time levels, and then down to prosperity levels, and then down a little more. Let us try to keep this perspective in mind, because, in this particular situation, I think perspective is most important.

Gross national product reached an annual total of $372.4 billion in the second quarter of this year. In the third quarter, it dropped to only $371 billion. This is just the beginning, but that is one bit of evidence.

The Federal Reserve Board Index of production which reached a peak of 243 in the spring, was 234 in September.

Housing starts which were at the annual rate of 1,200,000 earlier this year are now averaging under a million a year.

Steel production, which was running above 100% of capacity, is now about 95% of capacity. Moreover, we have ample evidence that in the durable goods sector of the economy, the peak has definitely been passed, and that we are moving downward, although, thus far, the amount of that movement has been rather small. The downturn in automobiles is already well under way.

As far as the non-durables are concerned, the textile industry has recovered from its pretty poor situation in 1952. The amount of recovery was nothing sensational, and so textiles are still not quite as high as the level reached in some of the post-Korean months. But thus far there have been no signs of a downturn. The same thing is true, pretty generally, for foods.

When we look at the entire picture, it appears that at this moment, as we try to look ahead, we are just slightly below the all-time peak, which appears to have been reached a few months ago. Now whether it turns out, when we have all the figures, that the peak was in July, or June, or in May, isn't so important, I think, as the fact that we have reached it.

Despite the minor decline, we are still at a level of activity which is unprecedented. We have a level of employment which is unprecedented. We even have a level of unemployment which is unprecedented for peacetime. In September, for example, we had one of the lowest levels of unemployment we have ever had in our peacetime history; namely, 1,246,000, which was not much different from August.

And so while some of these figures, the money figures and the employment figures, are close to or at all-time peaks, some of the production figures have begun to slip off. In addition, we must keep in mind that wholesale prices have slipped off from the peaks which were reached early in '51. Consumers' prices, on the other hand, are close to or at the all-time peaks. This is the picture from which we look forward.

Now, the way I like to present this problem is to line up the factors that I think are plus, and those that I think are minus. You can then reach your own conclusions about how they add up. I must tell you in advance that every plus factor I have is a plus-but. There is a qualification to every one of them. You must really struggle to find plus factors today. The positive factors which most people cite aren't short-term positive factors at all. They are long-term factors. For example, population growth. That takes place in good times and bad. It never stopped a depression. It never caused one. The fact that we have population growth doesn't mean that you cannot have a depression.

The fact that we have had a larger increase in population in this country since 1940 than the entire population of Canada, and hence we have created a market which is greater than the entire Canadian economy, doesn't change the fact that in 1949 we had a recession with that same situation, and in 1954 we will have a recession with that same situation.

The fact that productivity is going up is nothing new. It has been going up, with a few exceptions, almost throughout our history, and especially during the last 50 years. So some of these factors which people include on the plus side are almost always present. The same thing goes for liquid assets, and available backlogs of savings. We had those in 1949, too.

Accordingly I haven't included any of those factors on the plus side, because they are not too significant in the short-term forecast.

Expanding Or Sustaining Forces

(1) **Government and Armament Spending:** You probably know that we have increased our armament spending from a rate of $15 billion before Korea to a rate of $52 or $53 billion currently. No matter what we do with armaments, it is pretty clear there is no stimulus like this coming from the armament sector in the year head, unless, of course, we go to war. In fact, the probability is that there will be a slight decrease in armament. My own suspicion is that it will be much greater than anyone has yet forecast. The reason for that statement is very simple. The American people abhor war. The American people don't like to spend money on armaments. While you and I may agree that we should continue to spend so much money for armaments, the political aspect cannot be overlooked. And I think as 1954 moves on, as we go into 1955, the pressure will be practically irresistible to cut down armament spending if there is no real shooting war going on. That is not an inside tip from Washington. That is just a plain ordinary interpretation, a commonsense interpretation of what has been our entire history.

In any event, we plan to spend somewhat less. For example, in fiscal 1953, we spent almost $75 billion, and in fiscal 1954, the current year, we are planning to spend about $72 billion, and I am convinced that this Administration is going to cut spending further. The men who are tops in this Administration believe in a balanced budget, and the most important step toward getting a balanced budget is believing in it, because then you find ways to cut. I think they are going to find ways to cut spending, and I think it also has a very important implication for tax policies.

No Cut in Corporation Taxes

I don't think the corporation tax is going to be cut, and I think if there is any cut in any type of tax, there is going to be an offsetting tax increase. This Administration is not going to permit the corporation tax, which is $1.2 billion, and the excise tax, $1.1 billion, to be eliminated without demanding something in return. I don't think you need any dope stories from Washington for that conclusion. All you have to know is that

Continued on page 37

*Stenographic report of a lecture by Dr. Backman in the series entitled "The Economics of the Securities Industry," sponsored by the Investment Association of New York in cooperation with the Graduate School of Business Administration of New York University, New York City, Oct. 14, 1953.

What This Country Needs to Survive

By THURMAN SENSING*
Executive Vice-President, Southern States Industrial Council

Asserting this nation to survive must retain an adequate military strength and at same time not spend itself into economic bankruptcy, Mr. Sensing urges we cease our "giveaway" schemes to obtain Allies, and "go it alone." Says there has been a lot of fuzzy thinking with regard to foreign aid. Stresses moral strength as even more important than military or economic strength, and calls free enterprise "American idealism." Concludes we can't have both government-provided security and individual freedom.

About the only Vice-President we have ever had who has made himself remembered was Thomas Marshall, and he did so by making the comment, "What this country needs is a good five-cent cigar." We are constantly hearing statements by all sorts of people as to what our country needs, and many of these statements are at such variance that most of us are no doubt inclined to agree with the comment, "What this country needs is someone who knows what this country needs."

Thurman Sensing

I suppose, however, there is one conclusion that we might all agree on; namely, that this country needs to survive!

In order to survive, the nation must be strong. Human nature being what it is thus far in the history of mankind, a nation of great assets must be strong enough to protect those assets, else they will be taken away. Here in the United States we have great material resources; we have developed the greatest productive capacity of any nation in history; we have attained the highest standards of living any people have ever known.

There are those who would deprive us of these assets. They would have us be a pacifist nation or, failing in that, they would have us spend ourselves into economic bankruptcy. We must not do either, if we would survive. We must retain a military strength sufficient to defend ourselves against all comers; we must maintain an economic strength sufficient to support both this military strength and our standard of living. This we can do if we do not waste our inner strength through corruption and our outer strength through visionary endeavors.

In order to be militarily strong we certainly do not need to spend ourselves into bankruptcy. We could "fear" ourselves into destruction, even though the United States of America has less to fear than any nation on the face of the earth. It would certainly be a departure from our tradition to act on fear rather than on courage. Even when our nation was young, and perhaps had reason to be afraid, it did not act that way, and I trust it never shall.

Yet, as you well know, every time it is suggested that we should cut defense spending or foreign aid or any one of the grandiose projects we have taken on in recent years in order to balance the budget, there is always some one to jump up and warn us that we should beware of doing any such thing—that we should remember we can't "go it alone."

They don't say where it is we are going; they just say we can't go there by ourselves.

It seems to me, if I have read my history correctly, that our forefathers came to this country so they could "go it alone." They came here to get away from the old world order, the wars of imperialism, the subjection of the individual.

Under the freedom of a constitutional republic, the people of this country have got along pretty well on their own.

We had a Congressman from Tennessee back in the early days of the nation, who was quite unlettered but who had lots of common sense. Among the things for which he is best remembered is his statement, "Be sure you're right, then go ahead."

Our present-day statesmen would do well to heed this advice. Once we have decided a course is right, then we should go ahead without regard to the objections of those who are fearful, of our so-called Allies, or of anyone else.

Just because the world is "smaller" than in Davy Crockett's day does not lessen the value of his advice. Truth has not changed in the intervening years; freedom is just the same.

Here in the United States of America was established for the first time in history a government that belonged to the people, rather than a people who belonged to their government. It was a government based on the dignity of the individual. It was a government based upon the principles of truth and honor and justice. It was a government that guaranteed the individual certain inalienable rights, that gave him the incentive to exercise his initiative and his ingenuity.

This system has produced for the American people the greatest productive capacity and the highest standard of living the world has ever known.

Are we to throw all these gains and all these principles overboard simply because someone says that we can't "go it alone"? Whether we realize it or not, that is exactly what we are in danger of doing.

When we are so tied up with certain "Allies" that we cannot, for the first time in our history, win the war we are fighting—as was definitely the case in Korea—then we had better get back to the point where we can "go it alone."

When we get to the point that we continue to pile up our national debt and continue to live beyond our means — thereby threatening the very solvency of the nation and certainly mortgaging the future of our children—just because there are those who say we must do these things because we can't "go it alone," then we had better quit listening to them.

If it is right to preserve the principles for which this nation was founded, if it is right to win a war with honor, if it is right to operate our government within a sound economy, then we should "go ahead" and do these things.

We have warned all along that our magnanimous "give-away" schemes would not win us any friends—or even result in attaining the ends desired in the long run. We warned some two years

Continued on page 46

*An address by Mr. Sensing at the 30th Annual Convention of the National Association of Foremen, Milwaukee, Wis.

The Potpourri of Business Forecasts

By H. E. LUEDICKE*

Editor, "The Journal of Commerce," New York.

Dr. Luedicke reviews recent business forecasts, and finds they vary from extreme optimism to extreme pessimism—despite fact all economists work virtually from same set of facts and figures. Holds, however, headlines exaggerate differences of opinion and both bullish and bearish statements are carefully hedged. Says most business forecasts lack clear timing and outright predictions are mostly based on intuition. Warns, in giving anti-recession advice, "Do not confuse what should be done with what can be done." Gives key elements in current picture.

Unfortunately, the businessman of today, in dealing with economists, is not in the position of the fight referee who calls the fighters into the center of the ring before the start of the fight and reminds them that "you boys know the rules."

H. E. Luedicke

In business forecasting everyone is making up his own rules—meaning, of course, his own definitions—and all too often he changes them as he goes along. That presents problems for those depending on advice on the business outlook—particularly now that we are witnessing a new spurt of inflation: and inflation, that is, in the number of talks on the outlook for business.

All of you must have heard or read of dozens of such speeches in recent weeks—and the peak of the season is not even here as yet. A good cross section of what is being said you can get every week by following the *Commercial and Financial Chronicle*.

Under these circumstances I thought that it might be helpful to sort out for you the information that has been presented by economists, economic consultants, economic professors and leading business executives in recent weeks. At the same time I would like to develop a set of rules recommended for those who make it a habit to listen to, or read, these often learned but all too often rather cryptic discussions on what is ahead for business. I don't want to go so far as to say that there exists today an inverse ratio between the quest for enlightenment and the ability of economists to provide it—but the fact of the matter is that there has seldom been such a high degree of uncertainty among the economists themselves as there is at present.

I figure that if I do this sorting-out job under the guise of a business reporter rather than under the flag of an economist, I shall be reasonably safe against excommunication from the secret order of forecasters, soothsayers and economists.

I

Recession vs. Depression

This is the era of the sensational catch-phrase.

"No Major Depression in Our Lifetime," says A. W. Zelomek.

"Collapse of Prices," warns Baxter.

"No Fear of Depression," assures U. S. Steel's Benjamin Fairless.

"A Period of Business Decline Ahead," mourns Arthur C. Babson.

These slogans imply a wide range in current business forecasts.

Headlines Exaggerate Differences of Opinion: They vary from extreme optimism to extreme pessimism—despite the fact that all economists work virtually from the same set of facts and figures.

But, if you look a bit more closely, the optimists are not nearly as optimistic and the pessimists not nearly as pessimistic as it appears at first glance.

That means that—even though Dr. Consensus is conspicuous by his absence at most discussions about the Business Outlook these days—the popular views on what is ahead for business are far less extreme than the headlines seem to indicate.

In many cases, the differences of opinion actually narrow down to not much more than semantics.

When is a recession not a recession, but merely a downward adjustment?

Where lies the dividing line between a moderate and a substantial recession?

When does a recession become a full-fledged depression and at what point does a depression stop being a minor depression and becomes a major depression.

Bullish Statements Carefully Hedged: If you analyze almost any of the recent bullish statements, you'll find that none of them excludes the possibility, or even probability, of temporary downward adjustments in the immediate or in the near future. Some of them declare outright that such a recession is already here.

Secretary of the Treasury Humphrey set the style in this respect when he said in one of his recent speeches: "Adjustments—yes; depression—no."

Just to give you one more example. Even Mr. Fairless, in a recent speech[1] modified his emphatic statement that "all this recession talk is unwarranted" by adding that after an economic "bender" of nearly 15 years, there are "just naturally bound to be headaches, dislocations and readjustments."

The point Mr. Fairless was trying to make was merely "to recognize the headaches for what they really are: the pains produced by past excesses and not the symptoms of some impending economic disease."

These qualifications are not just attempts of the forecasters to hide behind hedges—of the if, but and on-the-other-hand kind — which all too often are their favorite hiding places from which they care to do only such amount of hedge-hopping as seems safe.

Vague Definitions Can Be Avoided: But they do point up one of the basic weaknesses in business analysis today. That is the far too easy use of indefinite terms. My recommendation to you, therefore, is

> *Rule 1:* Insist on sharper definitions in any business advice offered to you.

There is a way of getting around the vague use of such terms as downward adjustment, moderate recession, or major depression.

Insist on having these words translated either into terms of gross national product, industrial production, national income or price level changes.

Or have them translated into terms of previous business declines, such as the experience of 1948-49, 1937-38, 1930-32. Such comparisons will give you a concrete picture of what the forecaster is talking about and not merely a fuzzy impression of what he has in mind.

The question right now is obviously whether we are heading into something like 1948-49, something more like 1937, or something that is not even as serious as the inventory adjustment of 1948-49.

Predictions Must Give Clear Timing: Moreover, business forecasts, too often, are too hazy about the likely timing of any predictions.

The analysis of an impending economic trend can be perfectly correct—and yet it can be not only useless, but outright fallacious and quite costly if it is either wrong on the timing angle or fails to give any idea as to the timing of the changes the forecaster has in mind.

That leads to our

> *Rule 2:* Insist on a pin-pointing of the time element in all predictions.

Far too much money has been lost by turning bullish or bearish prematurely.

Where a forecaster is uncertain about the time element, let him come right out and say so. That way it enables you to get a far better perspective as to how much his predictions are worth.

II

Vulnerabilities vs. Strength

Most speeches on the Outlook for Business fall into one of the following four categories:

(1) Outright predictions;

(2) The summation of favorable and unfavorable aspects in the business picture — with or without an attempt to strike a balance between them;

(3) The development of "programs" for action by management, labor and the Government for the purpose of preventing a recession; and

(4) The analysis of indicators, yardsticks or bench marks available for the detection of impending trend changes—with particular emphasis on their validity under present conditions.

Outright Predictions Mostly Based on Intuition: Little time need be spent on the first category of outright predictions. Nobody has as yet manufactured a crystal ball with a built-in electronic brain that can take care of all the ifs and buts that have to be taken into account in order to arrive at any considered judgment as to the outlook for business.

Hence it seems a good idea to remember as

> *Rule 3:* Be extra cautious in accepting outright predictions which all too often are based on intuitive fancy rather than facts.

Favorable versus Unfavorable Factors: The comparison of favorable and unfavorable factors in the business picture is a sound approach to an outlook analysis—if an attempt is made to weigh them against each other and arrive at a definite conclusion.

This, of course, leads directly into the sphere of individual judgments.

Let me illustrate.

Last spring, in a speech before the Tanners' Council,[2] I drew up a list of five "vulnerabilities" in our present economic structure. I named them as follows:

(1) The threat of industrial over-expansion:

(2) The threat of excessive inventories;

(3) The threat of declining farm prices and farm incomes;

(4) The threat of an excessive rise in private indebtedness, mortgage credit, bank credit and consumer credit; and

(5) The threat of at least a temporary saturation of consumer demand and durable consumer goods, including housing.

I endeavored to weigh these "threats"—and I clearly labeled them as threats rather than open calamities — against the strong points in the economy and struck a balance that was moderately bearish.

Strong Points Re-Examined: By August, in another speech,[3] I repeated this procedure but it seemed to me then that the factors supporting the economy probably were stronger than they had appeared previously, despite the fact that in the meantime there had been a slight letdown in the business pace.

I enumerated the strong points as follows:

(1) The "momentum" that has carried the economy along and is not likely to run out of gas all of a sudden;

(2) The fact that the defense sector of the economy will keep on creating purchasing power without adding to the supply of civilian goods, thereby at least postponing the time when civilian over-production will become a serious issue.

(3) The growing realization that probably all of us have been underestimating not only the country's productive power but also the rate of growth and the tremendous power behind this growth.

(4) The factor of government policy; because it is unthinkable that any Administration will stand

Continued on page 30

*An address by Dr. Luedicke at the 9th Annual Convention of the Commercial Finance Industry, New York City, Oct. 26, 1953.

1 Speech before Economic Club of Detroit on Sept. 21, in Financial Chronicle of Sept. 24.

2 Speech before Tanners' Council in Boca Raton on April 9. Reprints are available from Tanners' Council.

3 Speech before Graduate School of Banking at University of Wisconsin on Aug. 26. Reprinted in Journal of Commerce of Aug. 27 and Financial Chronicle of Aug. 27.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Department Stores—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Drug Industry—Study—E. W. Axe & Co., Inc., 730 Fifth Avenue, New York 19, N. Y.—Paper—50c. (25c to Public Libraries and nonprofit institutions).

Excess Profits Taxes—Beneficiaries from their expected elimination—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

New York City Bank Stocks—Comparison and analysis of 17 New York Bank Stocks as of Sept. 30, 1953—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Philadelphia Banks—Comparison of 11 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Public Utility Common Stocks—Bulletin—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

• • •

Attapulgus Minerals & Chemicals Corporation—Discussion in "Highlights-No. 24"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Black, Sivalls & Bryson—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Central Vermont Public Service Co.—Booklet—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dravo Corp.—Memorandum—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh, Pa.

Gaylord Container Corp.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Masonite Co.**

General Contract Corporation—Brief analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a list of **Low Price-to-Earnings Stocks** and a portfolio of **Special Situations.**

General Foods Corporation—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Hitachi—Analysis—The Nikko Securities Co., Ltd., 4,1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Interprovincial Pipe Line Company—Analysis—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Iowa Electric Light and Power Company—Analysis—Milwaukee Company, 207 East Michigan Avenue, Milwaukee 2, Wis. Also available is an analysis of **Potash Company of America.**

Lehman Corp.—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Marine National Exchange Bank—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Metal & Thermit Corporation—Analysis—New York Haseatic Corporation, 120 Broadway, New York 5, N. Y.

New England Gas & Electric Association—Analysis—Security Adjustment Corporation, 16 Court Street, Brooklyn 2, N. Y.

Riverside Cement Company—Analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Russell Reinforced Plastics Corp.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Temco Aircraft Corporation—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Vacuum Concrete Corporation—Bulletin—Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Falling Orders Offset By Production Cuts

Business Survey Committee of National Association of Purchasing Agents, headed by Robert C. Swanton, reports, however, gap between falling orders and production showed tendency to contract during past month.

According to a composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn., the three-month trend to lower industrial activity continued during October, as reports of purchasing executives show order books declined again. However, the gap separating the levels of the falling orders and production, which has been expanding in recent months, shows a tendency to contract in October, as more production cuts are reported. The general comment is that these downward movements are not drastic, being more of a tapering-off than a slide. Prices are tending to level out, showing more weakness than strength. Sales efforts are being stepped up sharply. Unworked inventories of purchased materials are lower. Nearby availability and improved vendor performance are on the increase. Employment is reported lower for the second consecutive month. Buying policy runs predominantly to 60 days and under. Overall credit conditions are good. Few distress signs are apparent over the country. Purchasing Agents are not pessimistic on conditions for the fourth quarter; in fact, their late October attitude is one of cautious optimism.

Robert C. Swanton

Commodity Prices

Industrial material prices during October reflect more of a trend to level out, with 74% reporting no important changes up or down for the month. Competition in fabricated parts is much sharper. Larger quantity discounts are reported and some price protection. Escalation is fast disappearing. Freight absorption and elimination of premiums in negotiations for steel are more generally reported. Price has become increasingly more important than delivery, to many buyers.

Inventories

Purchased stocks of production and service materials continue the down trend of the past several months. The accent is on turnover rather than additional protective inventory. Warehouse supplies are ample and service is rapid, supporting the growing tendency of buyers to place small orders frequently. Liquidation of surplus and substitute materials, purchased when standard items were unavailable, is being stepped up. Quality improvement is noted. Many new items are being offered.

Buying Policy

Purchasing Agents' views of future markets continue to favor short-range commitments. Hand-to-mouth to 60-day coverage is the predominant policy. Reduced production schedules, receding orders, tight inventory control and lack of confidence in the general price structure are reported in support of this most conservative buying position.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces the following candidates have been nominated to hold office for the year 1954:

George V. Hunt

Alfred F. Tisch

Edward J. Kelly

Nathan A. Krumholz

Henry Oetjen

President: George V. Hunt, McLaughlin, Reuss & Co.

First Vice-President: Alfred F. Tisch, Fitzgerald & Company, Inc.

Second Vice-President: Edward J. Kelly, Carl M. Loeb, Rhoades & Co.

Treasurer: Nathan A. Krumholz, Siegel & Co.

Secretary: Henry Oetjen, McGinnis & Company.

Directors (Two Year Term): John Gahan, Schoellkopf, Hutton & Pomeroy; Charles M. Kaiser, Grady, Berwald & Co., Inc.; Barney Nieman, Carl Marks & Co., Inc.; Salvatore J. Rappa, F. S. Moseley & Co.

Trustees of Gratuity Fund (Two Year Term): Reginald J. Knapp, Wertheim & Co.; Wilbur Krisam, Geyer & Co., Incorporated.

National Committeemen: Samuel F. Colwell, W. E. Hutton & Co., Samuel E. Magid, Hill, Thompson & Co., Inc.; Stanley L. Roggenburg, Roggenburg & Company.

National Committeemen Alternates: Peter W. Brochu, Allen & Company; Joseph D. Krasowich, Bonner & Gregory; Cyril M. Murphy, John C. Legg & Company; Theodore Plumridge, Eastern Securities, Inc.; Stanley M. Waldron, Merrill Lynch, Pierce, Fenner & Beane.

Nominating Committee (Four (4) members to be elected): Sidney Jacobs, Sidney Jacobs Co.; James Francis Kelly, Kidder, Peabody & Co.; Walter V. Kennedy, Coffin & Burr, Incorporated; Ernest Lienhard, Troster, Singer & Co.; Daniel D. McCarthy, Union Securities Corporation; Herman D. Meyer, Joseph Faroll & Co.; David R. Mitchell, Hill, Thompson & Co., Inc.; Daniel Gordon Mullin, Tucker, Anthony & Co.; Raymond William Pyle, Shoellkopf, Hutton & Pomeroy, Inc.; Robert Victor Reid, Eisele & King, Libaire, Stout & Co.; Herbert L. Seijas, Merrill Lynch, Pierce, Fenner & Beane; Lewis H. Serlen, Josephthal & Co.; Andrew R.

Continued on page 46

Tractor Factors

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

Continuing some slight crop comment, and a rapid rural review of the present prospects of principal fabricators of farm machinery.

Just to avoid any confusion at the start, a stockholder in, say International Harvester is a shareholder, and not a sharecropper, even though his income ultimately depends on crops! With this bucolic *bon mot* properly ploughed under, we can now proceed to the topic of the day—farm implements. For six fat postwar years, this was a golden business. Racking up new high production totals in almost every crop you can name, the farmers of America were, by 1946, in crying need of new implements, and they had more cash in their jeans than at any time in history. So much so that, in 1947, in an industry where notes and time payments had been standard operating procedure for decades, 75% of farm implement sales were for all-cash or trade-ins plus cash.

Ira U. Cobleigh

Manufacturers just couldn't catch up and total domestic farm implement sales rose from $763 million in 1946 to over $2 billion in 1952. Strikes and material shortages stretched out the deliveries but the demand — new and replacement—was there, and manufacturers and their shareholders prospered accordingly. Seasonal sales curves, so traditional in the industry, had almost disappeared until Spring 1950; and they disappeared again for a couple of years due to the frantic buying engendered by the Korean War. Why in, 1951 farmers spent over 13% of net income on implements —the largest bite in history, and a far cry from the 6½% ratio that had prevailed in the 1925-34 decade.

But by the Spring of 1952, the industrial complexion changed. Replacement had caught up, a number of crop prices had begun to slip, farm income was lower, and the lion's share of sales were back on time payment. And competition got more acute. So by mid '52, we were pretty much on notice that no matter how well things were going in other lines, the bloom was off the boom on the farm, and there was slight cause for even cattlemen to be bullish about plow shares.

Crops at Support Levels

The factors observable in 1952 have loomed larger this year. A number of crops have dropped to government support levels (any one care for a couple of hundred million pounds of butter?). Wheat, in a growing country like ours, has displayed an amazingly static domestic demand; and the drought, which hit widely over many sections of our land, has cruelly reduced farm production and purchasing power. Only last week the headlines spotlighted the Cattlemen's Caravan to Washington and the legitimate "beefs" of the beef growers who have been forced to sell cattle at 30% of last year's prices, as an alternative to seeing steers starve to death on the plains.

Yes, we have a lot of farm gloom at the moment, and it's no wonder that on the Stock Exchange, implement stocks are currently among those least wanted; and some of them, displaying a reduction or omission of dividend. With farm net income projected at some 7% below the $14.3 billion of last year, some logic does seem to be offered to those of a bearish turn of mind.

"Unpopular" Bargains?

However, it is axiomatic in Wall Street that unpopular stocks are often the best buys, and since some of the agriculturals are selling at 40% of their quotation a short two years ago, it might be a good idea to enquire if the gloom here has not been over-accentuated. After all, we still, all of us, like "3 squares" a day, and 7,400 infant newcomers arrive at our breakfast table each morning. Farms are getting bigger all the time (average 220 acres now, 148 in 1920) requiring further mechanization, there are fewer workers; and rising costs require constantly more efficient machines. Further, the implement business used to be mainly in big tractors, and combines; now we have an amazing assortment of small and baby tractors for the truck gardener; and for the rural householder and retired farm hobbyists, who is snapping up midget tractors and power cultivators hardly larger than a power mower. All this expands the demand, and will continue to do so.

Another thing, for the past 20 years the farmer developed an amazing political savvy, and it is most illogical to assume that farm prices will be allowed to slump further without a powerful government pulmotor being deployed into action. We'll never see 40c wheat, and farm foreclosures a la 1932 again!

So let's take a quick look at some of the prominent purveyors of implements to farmers, and see whether their shares have become sufficiently depressed by all this bad news to rate a buy signal.

International Harvester

Biggest of them all is International Harvester with net sales running above $1.2 billion a year —30% in the farm trade (about 15% tractors and 15% implements). HR is also a large truck manufacturer, an increasing factor in air-conditioning, and a big contractor for the government. Thus, due to its diversity, HR has been perhaps less affected by the farm slump than those deriving a major percentage of earnings from agriculture.

International Harvester common is a quality equity. It has a durable and unbroken dividend record since 1918, a book value (if you count subsidiary equity) of above $54 a share, of which about $14 is net current; about $1.50 a share for 1952 in foreign undistributed profits; estimated earnings of between $3.75 and $4 annually which is plenty of coverage for the $2 dividend. All this is quite a lot to acquire for $27 a share, an indicated current yield of 7.4%. A high of 37 was recorded in both 1951 and 1952, if historical cheapness means anything.

Deere & Company

The second largest producer of farm equipment is Deere & Co., and it is running along earnings-wise almost parallel to Harvester (around $3.75 annually). Dividend policy of Deere has been conservative, however, and the last quarterly declaration was 50c against 75c a year ago, indicating $1.50 for the calendar year 1953.

DE turns out a complete line—tractors, seeders, harvesters, tilling equipment and soil improvement tools—in 15 U. S. plants plus one in Canada. It took care of its long-term financial requirements a year ago by the sale of $50 million in debentures and $20 million in new common. Part of these funds went for a big new chemical plant calculated to add diversity of products and stability of earning power. Deere is a great name on the farm, an enterprise well and conservatively managed, and has been, through the years, a fine farm-type equity. It does not appear gaudily appraised at 26 on the N. Y. S. E.

Allis Chalmers

Allis Chalmers ranks just behind Deere as the third largest farm implement fabricator and, curiously enough. it is also third in the electrical equipment industry, coming after General Electric and Westinghouse. Its Tractor Division, which contributes some 58% of net sales, includes industrial as well as farm tractors. For these reasons Allis Chalmers, producer of over 1,600 individual products, has been regarded as a more varied enterprise than most so-called "farm implement" companies; but that hasn't stopped AH from riding with the pack and hitting a new low for the year, in a recent session.

For some years, Allis-Chalmers was dogged by labor problems, including a brutal strike that lasted for all but one month of 1947. Now, however, labor-management relations appear satisfactory, stabilized by a five-year union contract which doesn't run out till June, 1955.

AH has an aggressive management with an expansion viewpoint as is indicated by the recent purchase of **Buda Co.**, renowned producer of engines, tractors, and material handling equipment, for 100.000 shares of AH stock.

For the stock buyer, two vehicles are available, the common around 43 paying $4 out of indicated 1953 per share net of about $7; and the $3.25 preferred, convertible into two shares of common. Both the current yield on the common, 9.3%, and the fact that the stock is down 16 points from the year's high, suggest that the stock may be at, or somewhere near, a favorable buying area.

Others we might talk about would include **Case**, which started 1953 with a dreary first quarter; **Oliver Corp.**, right near its year's low; **F. E. Myers Bros.**, whose shares are closely held; and **Massey Harris**, leading British Empire entry.

Minneapolis Moline

For the quite speculatively minded, a look of Minneapolis Moline might be worthwhile. This outfit has had a heavy earnings slippage this year and the recent dividend omission on the common sent the shares to a six-year low. If things down on the farm don't get any worse, however, Minneapolis Moline common might show quite a bit of market resilience. It's heavily leveraged with only 903,270 shares; and there's also a $1.50 second preferred you can acquire at around 19 convertible into 1⅛ shares of common.

Minneapolis Moline, while a relatively small producer, has a well regarded line of tractors, harvesters, corn pickers and shellers, cultivators and mowers. A little dose of inflation and a turnabout in farm prices may make this a good earner again.

All of the companies touched upon above have, in various volumes, government contracts. These will probably total less next year, but this section of the business has always been conducted at the least profit. New, service parts, and replacement sales have been the principal basis of earning power here.

4,300,000 tractors are now furrowing the topography of America, indicating annual replacement alone of above 200,000 units. Tractors are the major factor in the industry we've sketched today. As long as we keep eating, they'll keep running and farmers will keep buying them. And whether Republicans or Democrats are in the saddle, the farmers will, in due course, be eating high on the hog again!

Continued from page 2

The Security I Like Best

business, I have always found it more profitable to adopt an "aggressive" investment policy and consequently search for "bargains," that is, selected issues selling well below their intrinsic values.

In adopting this method of investment, our firm has, over a period of 20 years, achieved much better than average results for our clients. Applying this principle today, I venture to say that an investment in the common stock of the Gruen Watch Co. will show a better than average result over the next few years either as to yield or as to capital gain.

In choosing this stock, at this time, I have taken into consideration that the industry is very competitive and that it is more or less cyclical. The fact that it is traded "over-the-counter" is perhaps a psychological factor although some of the largest brokerage firms have lately attempted to educate their clients with the countless opportunities existing in this very important segment of the investment business.

The Gruen Watch Co. is one of the country's oldest manufacturers of fine watches, having been incorporated in Ohio in March, 1922, as successor to the D. Gruen Sons Co. Reorganized in 1935, it is now the second largest company in the United States. Factories are located in Cincinnati and Norwood, Ohio, Union City, N. J., Toronto, Can., and Bienne, Switzerland. It manufactures a diversified line of men's and women's watches in about 250 models, retailed through over 8,000 jewelers.

The last decision of the Supreme Court regarding the "fair-trade" laws will undoubtedly be of great benefit to the company's widely advertised products. Also, the company has obtained a very sizable government contract in the production of defense items.

As of March 31, 1953, Gruen Watch was in a strong financial position. Current assets total $16.3 million against current liabilities of $5.8 million, giving working capital of $10.5 million and a current ratio of over 2.8 to 1. Long-term debt was only $1.9 million, payable through 1958. Equity capitalization consists entirely of 396,956 shares of common stock. Book value was $29.37 a share.

The very large deductions made by Gruen Watch for depreciation and amortization suggest that the figure of $2,094,246 for plant and equipment is indeed very conservative.

One way to ascertain the attractiveness of a common stock is to compare it with the stock of its closest competitor. I am, therefore, listing here below some facts and figures taken from the annual reports of the two leading watch manufacturers for the fiscal year ended March 31, 1953:

	Gruen Watch Per Sh.	Gruen Watch Per Dol. Mkt. Value	Bulova Watch Per Sh.	Bulova Watch Per Dol. Mkt. Val.
Pres. Price	$15		$38	
Inc. bef. taxes	8.24	0.55	8.42	0.22
Net Income	4.25	0.28	4.13	0.11
Cur. Div.	1.20	0.08	3.00	0.08
Retained Earns.	3.05	0.20	1.13	0.03
Book Val.	29.37	1.90	48.20	1.27
Net Cur. Assets	21.80	1.45	29.50	0.77
10-Year Aver.	3.07	0.20	6.12	0.16

Selling at less than 3½ times last year earnings, and about 70% of its net current assets, to yield 8.3%, the common stock of this long established, well-managed company seems to offer exceptional opportunity for appreciation in price.

Henry Nau, Jr. With Don W. Miller & Co.

DETROIT, Mich.—Don W. Miller & Co., Penobscot Building, members of the Detroit Stock Exchange, announce that Henry Nau, Jr., has become associated with them. Mr. Nau was formerly with Bennett, Smith & Co.

3 With Williston, Bruce

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Francis M. Brady, Cressell E. Stedman, Jr. and Lloyd R. Gear have become connected with J. R. Williston, Bruce & Co., 631 Seventy-First Street. Mr. Brady was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Joins Kennedy-Peterson

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Donald H. Clauss is now with Kennedy-Peterson, Inc., 75 Pearl Street.

The Future of Coal

By JOSEPH PURSGLOVE, JR.*
Vice-President, Research and Development, Pittsburgh Consolidation Coal Company

After describing conditions in the coal industry, Mr. Pursglove reveals impact of displacement of coal by oil as a fuel for locomotives and homes. Reveals efforts now being made to develop new market for coal and at same time reduce costs by mine modernization. Points out high cost rail transportation is a problem and is being supplanted to some degree by motor and river transport. Finds electric power industry fastest growing coal consumer, and calls attention to greater use of coal in chemical and metal production. Points out present largest single user of coal is Atomic Energy Commission and concludes in future, coal will become important source of liquid fuel.

When we try to adjust our spyglass to get the total coal industry into clear focus, we find we can only see a blur and, at best, can get only a complex image into view. In this field of vision are more than 7,000 companies. The majority of these are small, operating one or two mines where in many cases the mines produce less than 100 tons a day for only a few working days per year. By careful adjustment of the lens, one can make out the larger well established companies with many mines that produce many thousands of tons a day. This latter group of the larger companies represents the minority part of the industry so far as numbers are concerned, for in coal it requires over 300 companies to produce as much as 80% of the total tonnage. As you know, in other major industries only a handful of companies produce over 80% of the products marketed.


Joseph Pursglove, Jr.

Paradoxes

The coal industry is a study in paradozes. For example:

We hear it said that the industry is dead, or that its sickness will lead to its early end. Yet, if coal production were to cease for a period of 90 days, great cities all over the U. S. A. and Canada would be browned out, maybe left in total darkness with no industries operating, no water flowing in the pipes.

While coal is acknowledged to be this country's greatest natural resource and while the assessed value of its reserves exceeds the value of most other whole industries, the annual rate of net earnings of coal companies is the lowest of all those in basic industries.

The workmen who mine coal are paid the highest daily earnings of any industry group in the country, yet the miner is often labeled, "The Forgotten Man."

Bituminous coal production is not centered in just one part of the country. Mining is carried on in 30 states. While the bulk of national production comes from Pennsylvania, West Virginia, Ohio, Kentucky, Indiana, and Illinois, coal is also mined in North Carolina, Texas, Colorado, Washington State, Oklahoma, Michigan, and in other widely scattered parts of the country. In addition to geographical differentiations, wide differences in the quality of coals in one district of a single state as against another, the differences in thickness of seams, and other physical characteristics, make it most difficult for me today to project a future for the whole coal industry. There is still another factor that makes such a projection tough. There isn't any single part of the industry which can be said to represent a middle ground between the thousands of small companies and the comparatively smaller number of larger corporations in the business.

*An address by Mr. Pursglove before the Utility and Coal Forum of the Great Lakes Regional Conference of the Cleveland Society of Security Analysts, Cleveland, O., Oct. 13, 1953.

The Northeastern Appalachian Area

Thus, I must resist the temptation of attempting to project a future for coal that would apply equally or fairly to the total industry, spread as it is through 30 states of the Union. But, I believe I can give you a clearer picture if I confine my comments to coal in the northeastern Appalachian area, where the company with which I am associated operates mines in western Pennsylvania, northern West Virginia, eastern Ohio and eastern Kentucky. Once I have reviewed this picture of this area of the coal industry, you will have to draw your own conclusions as to how closely it may represent the total coal industry.

By late 1945, it had become quite clear that the coal industry would begin to lose a substantial part of two of its historically large markets. Diesel fuel was replacing coal on our country's railroad locomotives, and the American home owner, long a substantial consumer of coal, was beginning to switch in large numbers to natural gas and oil. Without attempting to minimize the effect of these increasing losses to the coal industry, I believe I can say that it was only after these losses faced us that we were ready to make truly scientific efforts and employ new approaches in order to develop progress toward an expansion of coal's markets. The new markets are going to be different from the old ones and will require a great many changes in our industry to reach them.

Developing New Markets

When any industry such as ours is placed in a position of being so strongly dependent on two large markets for the sale of about half of its product, that very dependence tends to exert an over-riding influence of the general operations of the industry. We know that when a large proportion of our industry's total output was going to the home and railroad markets that we had to place our emphasis on mining the coarse sizes of coal. As long as the railroads used 25% of our product we were pretty well tied to their apron strings on transportation problems. Realizing as most of us did, or should have in 1945, that the long-term outlook for these two markets was not good, it was necessary to immediately plan the development of other concepts that would fit the markets which would expand through the years. We would have in the future more freedom of action in the matter of mining practices, preparation, and the transportation of our product to market.

One of the first moves of coal companies, once they faced up to these unpleasant facts, was to round out their coal reserves picture so that they would be in position to assure the large and growing coal consumers of the future of a long range supply of coal that definitely fitted into their specific needs. This meant that many companies would have to dispose of acreages acquired years ago to serve the older markets and acquire new reserves, perhaps in entirely different locations of the country, that fitted a realistic assessment of these future needs.

Every company that decided to meet the challenge of these radically changing conditions had also to make a rigid and continuing examination of its existing mines. This examination would have to include, of course, an evaluation of the factors of costs and future markets, and would have to determine whether the reserves assigned to these mines would warrant an expenditure of the sizable sums necessary for complete modernization purposes. As was expected, it has been found by many coal companies that several of their mines would not stand this type of test. Some very old mines were approaching exhaustion and others had high cost records with little promise of improvement. As a consequence, the number of mines operated in this Appalachian area today has been substantially reduced over the past eight years. In the case of our own company we were operating 46 of our own mines in 1947 and are now operating only 33. Yet our annual productive capacity has changed very little. We have disposed of thousands of acres of coal lands that had been carried by the predecessor companies for over 50 years and have acquired many thousands of acres of new coal lands more strategically located for the coal business of the future.

Mine Modernization

Having decided from a study of mining properties what mines were going to serve the long-range markets, most companies have undertaken a program of complete mine modernization. Again, in our own case, since 1945 we have poured back into new properties, and into new plant and equipment, more than $90,000,000. I believe this reinvestment of funds—most of which were taken from earnings — is certainly a strong demonstration of our basic confidence in the long-range future of coal.

If one questions whether these modernization programs have been a good investment, I can give you some figures which will prove the point and which I believe to be generally typical. Performance of our company's mines in 1952 gave us an average productivity of 10.5 tons per man-day. This represents an increase of 50% over the man-day production record of 1946 before most of these improvements mentioned above were made. Currently, the average daily rate paid to all miners is close to $19.50 You can readily see from this figure what it means to a coal operating picture to be able to increase production per man-day by this figure I have just quoted. There is, however, another set of figures which perhaps more clearly illustrates my point. Wages have increased around $5.25 per day since the middle of 1948 and Welfare Fund payments have increased 30¢ per ton, yet the average price charged for coal f.o.b. the mines in 1952 was lower than it was four years earlier.

High rail transportation costs are a very real problem for us in coal because we must never stop struggling to keep it competitive with the other fuels which are not saddled with such a burden. Gas moves by pipeline; oil by pipeline, tanker, and rail; water power moves by wires; yet over 80% of all coal today must move

Continued on page 29

From Washington Ahead of the News

By CARLISLE BARGERON

If the Democrats were in power now and confronted with Secretary of Agriculture Benson's problem of agitation on the farm front, you would see an entirely different handling of it, not one necessarily that would be helpful to the farmer but which certainly would be helpful politically. They would likely set up an investigation by a Congressional committee to learn about the "sinister" forces responsible for the agitation. Well, it wouldn't exactly be a case of learning about them, it would be for the purpose of pillorying them before the public. Regardless of the merits of the complaints they would be lost sight of in the attendant mudslinging, and the agitators or complainants would be completely discredited in the public eye.


Carlisle Bargeron

I told last week about how the great demonstration of cattlemen which came to Washington in busses was a synthetic thing, organized by enemies of the present Administration. Another hullabaloo now is being raised against the Agricultural Secretary's reorganization of the Soil Conservation Service. Spearhead of this agitation is the National Association of Soil Conservationists. Who are they? Primarily, they are not tillers of the soil, men who have been hit by the drought, by falling farm prices. They are the bureaucrats who feel their jobs are in jeopardy, and undoubtedly some of them are.

Aside from the adminstrators in Washington, there are seven well paid regional directors and under these regional directors a good 1,200 district directors and each district director has a staff of technicians. Calling themselves scientists and assuming that mysterious and aloof aura which our atomic specialists have come to assume, these fellows have come to be an influential body in our citizenry. In the farm country, I am told, they have about the same hold over the people as the clergy.

Soil conservation is older than the New Deal but it was under the New Deal that its functionaries flourished to their present eminence and numbers. They were a part of the vast agricultural political machine which Henry Wallace built up with the aid of the American Farm Bureau. With the passing onto the pastures of Henry Wallace and the death of Roosevelt, a new leadership of the Farm Bureau has been trying to get it away from its old moorings without complete success by far. The Conservation functionaries claim now that they are neither Democrats nor Republicans but just detached careerists. Secretary Benson, or more likely his more political-minded aides, have heard this one before and it is a lead pipe cinch that if these gentlemen are removed from politics as they claim, they are imbued with the New Deal philosophy that the Federal Government must do everything and is responsible for their livelihoods.

Now, what does this Service render to the tiller of the soil? Well, a tiller of the soil will have a plot of ground and he will call for a specialist to come over and tell him what it would be best to devote this plot to—alfalfa, corn, wheat or whatnot. The specialist will make tests, tell him the crop and then get out his maps and show him how to contour it. When I was a kid I remember the Agricultural Extension Services conducted by the colleges and how experts from these colleges were all over the place continually advising the farmer. I understand the Conservation Service "works very closely with them."

There is a companion service to this one known as ACP, Agricultural Conservation Payments. You would literally be amazed at the number and the nature of the "services" rendered by the Department of Agriculture. Senators have frequently regaled their colleagues with the reading of a Department pamphlet on such as "The Love Life of a Bull Frog." But the Senators go right on voting appropriations for the Department just the same because if you try to cut any of the Department's appropriations there will be vested interests such as the professional or career Conservationists to arise and say you are an enemy of the farmer.

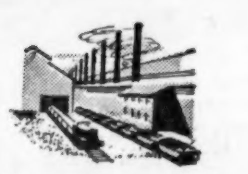
Being against large appropriations for the Department or even against the Department itself is not at all synonymous with being against the farmer.

Well, in the 80th Congress when the Republicans controlled both Houses, they made an exhaustive study of ACP, the conservation payments. Under this, the farmer is supposed to get a payment for conforming to prescribed rules in the planting and rotating of his crops. The Republicans found out that the average farmer got no more than $6 a year and was disinterested. Moreover, the average farmer, it seemed, didn't even get this $6 in cash. Through some deal, a sack of limestone or other fertilizer was just dropped off at his gate once a year.

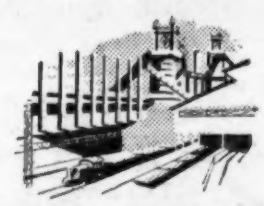
Nobody in the world loves the farmers more than the Republicans. They have always been the mainstay of Republican strength. But the Republicans, completely convinced that the farmers didn't care about this sack of fertilizer, decided to cut the ACP appropriations in half with a view to eliminating them altogether the following year. Washington lobbyists for fertilizer interests, particularly one who is quite energetic, worked up such an agitation that the Republicans thought the roof was falling in. There are indications that these lobbyists, feeling they are indirectly affected or will be affected if Benson isn't stopped, are working hand in glove with the professional soil conservationists.

Confronted with a similar situation back in the early 30's when they were trying to pass utility legislation and seemed to be blocked in their tracks, the New Dealers with Hugo Black called their Senate Lobbying Committee into an "emergency" meeting. And when they got through beating the electric power utilities over the head with revelations of "scandal," passage of their legislation was easy and the utilities are just now beginning to come up for air. The Republicans have got to learn these tricks. A good investigating committee could make monkeys of the career conservationists, the "indigent" cattlemen and the fertilizer lobbyists, and the farmer would warm right up to them.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

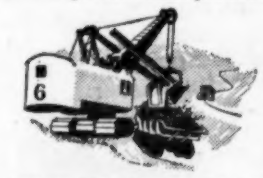


GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.



WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

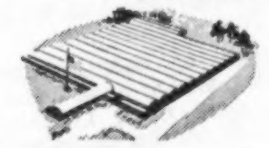
STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset buildings and Stran-Steel nailable framing.



ANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.

THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.

NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL STEEL

Adding new coke ovens to help meet demands of increasing steel capacity

The making of coke is a little known but vital link in the steel production chain—an important "behind the scenes" contributor to the spectacular advance in the quantity, quality and variety of steel output. National Steel, now operating hundreds of coke ovens, is adding over 100 more to help supply the larger volume of pig iron required by National Steel's expanding steel-making capacity.

The coking process starts with selected coal, washed, sized and blended so that it is virtually a manufactured product. This coal is "baked" for about 18 hours in the coke oven. About 70% of the weight of the coal becomes coke. Most of the remainder is recovered in the form of gas, chemicals, oils and tars—from which come an array of products ranging from antibiotics to nylons.

As pictured here, white-hot coke is being pushed from an oven into a special car, for transportation to a quenching tower. The quenched coke is then dumped on the sloping wharf at the right and carried by conveyor to a screening plant for separation into various sizes. The large lump coke is then burned in the forced draft of the blast furnaces to smelt metallic iron from its native ore.

As in all phases of production, these coke plants are equipped and operated under the modern standards which maintain National Steel's position as a steel industry leader.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

AN INDEPENDENT COMPANY OWNED BY MORE THAN 19,000 STOCKHOLDERS

Atomic Energy—A Look Ahead

By GORDON DEAN*
Lehman Brothers, New York City
Former Chairman, Atomic Energy Commission

Former atom chief declares United Nations must make Russia understand that if she moves in any quarter of globe, she will be struck hard at every element which supplies her troops. Warns within two years Russians will be able to obliterate this country with surprise atomic attack. Predicts through peaceful use of atom by 1963 at least 10% of all new U. S. electric generating facilities will use atomic fuels; Navy submarines, aircraft carriers and large vessels, as well as ocean liners will be atomically powered; and atomic-powered aircraft will be developed. Maintains atomic-powered automobiles are out of the question, not only for next decade, but probably forever.

I am going to discuss the atomic energy industry — and what it means to our present and may mean to our future. First, let me briefly describe the program to you. It is operated by a Commission of five civilians and a staff of trained technicians. The work is carried on primarily through field operation offices. There are only about 7,000 employees of the Atomic Energy Commission but there are far more than this—some 140,000—working on the Commission's program. There are the employees of the industrial contractors under contract to the Commission who build and operate its various facilities which are spread from one end of the country to the other and located in one-third of the states of this country. When the current atomic energy expansion program is completed there will be an investment in plant and equipment of close to nine billion dollars.


Gordon Dean

Program Primarily Military

The program has been primarily a military program. Today virtually all of our efforts to get uranium and process it into the cores of atomic bombs are in support of the goal of making America very strong in a very uncertain world.

But there have been other parts of the program which in the long range will have great significance. Some of these too are the result of military interests. Next summer the first submarine to be propelled by a nuclear power plant will make its trial run. If present developments are successful we will have, within a few years, an airplane propelled by a nuclear power plant and capable of almost unlimited range. During the next few years both the Atomic Energy Commission and private industry will be engaged in intensive efforts to develop a reactor to produce economic power competitive with coal, oil and gas.

It is very difficult to predict with any degree of certainty just where these lines of endeavor may lead us, for our rate and direction of progress will be determined far more by unpredictable man than it will by the predictable atom. It is, therefore, impossible to foresee just where we shall be in the development of atomic energy a decade from now; it is only possible to predict where we can be if we want badly enough to get there.

Nuclear Fuels in 1963

It is quite possible that at least 10%, and possibly more, of all new electric generating facilities being built in the United States in the year 1963 will use nuclear fuels.

In 10 years we should also be able to have in operation a number of reactors capable of producing power and breeding new nuclear fuel from uranium or thorium at the same time.

In addition, the next 10 years should see the use of atomic engines, not only in submarines, but also in large surface vessels, such as aircraft carriers of the U. S. Navy—if we want them. It is also possible, although less likely, that an atomic propulsion plant will be developed that could be used economically in commercial ships. We may not see all this in 10 years, but it is virtually certain that we could see it within the next 15—again, if we want to.

Another possibility for the next decade is an atomic-powered aircraft for the Air Force. Whether this is achieved depends almost solely on how much money the government is willing to spend annually on its development. I would doubt, however—no matter how much money is spent—that there will be any atomic-powered airplanes in commercial use within 10 years, although it is quite possible that this will become a reality later on.

One place where the atomic engine may come into its own is in the now all but forgotten field of dirigibles. A dirigible could carry aloft the very heavy shielding required for an atomic engine much more easily than could an airplane. The danger of fire would also be greatly reduced by the use of atomic fuels, for they will not burn in the sense that gasoline or oil will. Although I would be a little surprised if any atomic-powered dirigibles were to be in commercial service by 1963, I believe an experimental model could be in the air by that time if someone were willing to pay for it. I can see no reason why someday, possibly within 15 or 20 years, such aircraft should not be available for commercial use.

I believe it would even be possible within the next decade to have atomic-powered locomotives. I should be surprised, however if this were attempted by so early a date. The special hazards presented by an atomic engine and the expense of developing one that might fit a locomotive efficiently suggest that other possible uses of atomic power will be developed first.

Atomic-Powered Automobile Out of Question

In regard to atomic-powered automobiles, which have been discussed a good deal, I feel that they are out of the question, not only for the next decade, but probably forever. The very heavy and bulky shielding required to seal in the deadly radiations emanating from atomic reactions would seem to preclude their use in so small a vehicle. Also, an atomic reaction requires a minimum amount of nuclear fuel (a "critical mass") before it will operate. The amount of power needed to propel an automobile is far less than the amount that can be produced by a critical mass of nuclear fuel. This would therefore seem to be a highly inefficient use of so valuable a source of power. There is, however, a chance that someone may someday find a way to convert the very intense radioactivity of the ashes of a nuclear fire (fission products) into heat. If this were accomplished it might be possible to use small quantities of these ashes to produce heat to drive such small vehicles as automobiles and trucks. I cannot see this being done within the next decade, however.

In general, in the field of power I look for atomic energy to be utilized gradually where large sources of power are required, such as in central-station electric generating plants, in ships, and possibly in some types of large aircraft. I do not look for it to be used, at least for some time, where very small sources of power are needed, such as in house furnaces, small aircraft, or, as we have seen, in automobiles. But the use of atomic energy where large sources of power are required will certainly free our supplies of oil, coal, and gas for wider use in other places.

In fields other than power, I would expect that during the next decade radioisotopes and other sources of nuclear radiation will come into ever wider use in medicine, industry, and agriculture. More people will be trained in the techniques of using them, and the lives of more people will be helpfully affected by them.

Must Find Peace Answer

But the peaceful applications of the atom mean very little if we do not find the answer to peace. Tomorrow is United Nations Day and this, I think, is an appropriate departure point from which to explore for a moment the history of our effort to control the atom. Perhaps the most generous gesture ever made by a great power was that embodied in the Baruch proposals for the international control of atomic energy—later embodied in the United Nations plan which would have established an international cooperative agency charged with the operation of all atomic activities on behalf of all the signatory nations and would have provided for the prohibition of the manufacture of atomic weapons. But it became quite clear by 1948 that a stalemate obtained between the majority of the United Nations and the Soviet bloc. The atomic impasse exists because of an over-all Soviet refusal to join cooperative efforts to promote world peace and security.

In January of the last year the commission for conventional armament and the United Nations Atomic Energy Commission were merged into a disarmament commission. This commission worked zealously to develop a plan of disarmament. The plan provided for stages of disarmament — the first step being disclosure of the armed might of the various countries. Later was to come verification by United Nations teams and, eventually, through a series of stages, disarmament itself. The report of the commission handed down earlier this year sadly recounts the obstructive tactics of the Soviet representatives from the first to the last.

I do not think that people realize how continuous has been the study in the United Nations and in the United States Government of the question of disarmament and particularly the international control of atomic energy. But through these years we have been constantly faced with the refusal of the Soviet, under any plan, to

Continued on page 36

*Address by Mr. Dean before Fiftieth Anniversary meeting of the Motor Truck Industry of Southern California, Los Angeles, California, Oct. 23, 1953.

Public Utility Securities

By OWEN ELY

Are the Utilities "Losing Out" on Atomic Power

For some time five utility and industrial "teams" have been working on the question of atomic power practicability, with the cooperation of the Atomic Energy Commission but without (as yet) the needed assistance of Congress. But recently the AEC suddenly decided to take matters into its own hands and build a large power reactor, in order to make a better determination of operating problems and costs. Westinghouse Electric has obtained the development contract and Rear Admiral Rickover, who sparked the atomic submarine program, will be loaned by the Defense Department to take charge of the job. The five teams will have access to the data obtained as the project progresses, it is indicated.

While the location of the new plant has not been definitely decided as yet, Oak Ridge in Tennessee appears to be the likely spot. It will probably have at least 60,000 kw. capacity. "Business Week" (Oct. 31) has estimated the construction cost at around \$30-\$40 million, or about \$500-\$670 per kw. as compared to \$160-\$200 per kw. for a similar steam generating plant.

"Business Week" estimates that for the investor-owned utility to get a return on its investment, "a rate of 3 or 4 mills per kwh. is needed if the plant runs at 70% of capacity—which is above average demand. Add to this fuel costs of 2 to 3 mills and you get production costs ranging from 5 to 7 mills per kwh. The nearest approach to a firm figure on nuclear power costs is 2 mills or less per kwh. for fuel. The capital costs are in the realm of guess, but if they run much over \$200 per kw. of capacity, the plant won't be competitive."

Perhaps a broader discussion of cost factors would be of interest. Investor-owned utilities in 1952 obtained an average revenue per kwh. produced of 1.68¢ (the amount per kwh. sold would of course be somewhat higher, since some kilowatts are lost in transmission used in production). This amount was distributed as follows (the fuel item is on the low side because no adjustment has been made for hydro power):

	Cents per kwh.	Percentage of Total Cost
Fuel	0.29¢	18%
Other Operating Expenses	0.51	30
Depreciation	0.16	9
Taxes	0.38	23
Capital Costs (Net Oper. Income)	0.34	20
Total Costs per kwh. Produced	1.68¢	100%

It is unfortunate that the private utilities will not have the opportunity at this time to try out atomic energy as a substitute for other fuels in one of their own plants, because the use of Government money creates an entirely new setup from a cost angle. However, if accurate kwh. operating costs are obtainable later, these can be used by the utilities to substitute for their own coal-burning cost figures. The major cost problem from an operating angle is whether the saving in fuel will prove sufficient to offset the probable increase in other operating expenses. Such expenses may rise sharply due to the obvious difficulties of operating and maintaining the atomic reactor as well as disposing of radioactive waste, by mechanical or robot methods, so that the personnel will be fully shielded and protected from poisonous emanations and rays. Initial operating cost may thus be very high. Eventually, by experience and by building on a very large scale, such costs may be reduced on a kwh. basis.

Non-operating costs, which are largely proportional to the bigger plant investment, would be much higher for the investor-owned utility than for a government plant. Thus, assuming that plant cost should be twice as great as for the conventional plant, half of the private utility's overall cost (depreciation, taxes and capital cost) would be correspondingly doubled, except for the item of income taxes. Thus, even if the utility broke even on operating costs—that is, if fuel savings should offset the higher labor cost of operating the reactor—overall kwh. cost might still be nearly 50% higher. But an agency of the Federal Government such as the AEC could probably save most of the higher capital cost. It could use 3% money instead of 6% capital, which would exactly offset the higher cost of construction (assuming this were double). It would also save well over half of total taxes, since it would not have to pay any income taxes, and this saving might be adequate to offset the doubling of depreciation accruals.

It may be that some of the large utilities will have future opportunities to pool their resources and build atomic energy plants of their own, as an outgrowth of their "team" experience. This probably will require new legislation by Congress, and perhaps an agreement by the Defense Department to buy plutonium as a by-product. But the present danger is that, with the Federal Government first in the field, and with the obvious advantages which the AEC will enjoy with respect to (1) tax savings; (2) cheap capital, and (3) operating secrecy, the tendency toward a government monopoly may continue. This would parallel the New Deal priorities in hydro development—despite the expressed reluctance of the present Administration to favor public power development. The private utilities should, therefore, maintain their present research teams and be prepared at the earliest opportunity to build their own plant so as not to be "frozen out" of this new field.

Because of the initially high costs, it seems probable that the government's best efforts might well continue to be devoted to developing the new source of power for **mobile and specialized uses.** Only the submarine development has thus far been pushed through to final accomplishment — the use of atomic power on carrier battleships is reported abandoned, and potential use in airplanes is developing very slowly. But it is obvious that for war and defense purposes the new fuel may prove invaluable for many uses other than bombing, once it is brought under control. There is some talk of building portable power units which could be rushed from one area to another to supply emergency light and power in the event a city were devastated by A-bombs or H-bombs, or by other causes. Also, portable power plants might prove highly useful in the polar regions or the tropics, or in other areas where fuel is scarce and expensive.

Free Enterprise— A Two-Way Street

By PROFESSOR WILLIAM F. EDWARDS*
Dean, College of Commerce,
Brigham Young University, Provo, Utah

Dr. Edwards maintains America's great economic growth and strength result not from chance, but from American way of life, based on principle that "security depends upon insecurity," and right to succeed depends on preserving the risk of failure. Cites situation in butter and savings bonds as demonstrating we cannot "play ostrich" in evading our responsibilities in setting national policies. Concludes with boom on the wane we must test each proposed policy not by standard of personal gain but by its harmonization with Free Enterprise system.

I thrill in meeting with large groups of chosen people, and we in America are truly a chosen people in today's world-wide drama. Old Glory on display is always an inspiration. I don't know if Betsy Ross really made the original red stripes out of petticoats. But I do know what Old Glory symbolizes and what makes her wave proudly and majestically.

Dr. Wm. F. Edwards

She represents courageous George Washingtons sustaining armies in defeat but ultimately leading them to victory. And the humble George Washingtons on their knees at each Valley Forge.

She represents John fighting on the battlefields, sometimes dying but more often surviving and returning home to take his place as a citizen of a great democracy.

She represents Jack in the research laboratory testing and developing better materials, and Jim in the plant finding ways of producing better goods at lower cost.

She represents the millions of families who have children and strive to develop their talents, and to live sufficiently frugal that they save a part of their earnings. And she represents this nectar of their labors which is invested in tools that make possible the increase in our productivity and thus a rising standard of living.

She represents our success stories. There is the poor widow's son who becomes the community's leading citizen. Yes, there is the boy who liked to play baseball more than eat who now hits a home run at the World Series. There are the du Ponts and the General Motors, each of whom probably contribute yearly more to the economic welfare of mankind than some nations whose flags adorn the halls of the United Nations.

The greatness of our success can be fully appraised only by recognizing those who tried and tried again but failed. For each successful patent there are thousands that do not reward the inventor. For each producing oil well there had to be drilled nearly one hundred dry holes. It takes a book to record the history of all the automobile companies that contributed to the growth and development of this great industry, while you can count upon your fingers the makes that continue to grace the roads.

This spirit of adventure, the willingness to take a chance at the risk of failure, is part of the spirit of Old Glory. To lose that spirit would be like changing the red stripes to pink or removing the stars from the field of blue.

Source of America's Greatness

America's economic growth and her great economic strength did not come by chance. Columbus discovered a potentially great land, not a great land. The great expanse of fertile fields has made possible abundant production of essential foods at progressively lower cost in terms of man-hours. The abundance and variety of natural resources has supplied industry with the basic materials necessary for economic development. But these are not the secret to our success.

The very location of our land is a choice blessing for which we should be eternally grateful to our Heavenly Father. Think of how different it would be if, like Germany, Russia were immediately to the east. Among the curses of Korea are the neighbors that share her borders. We are blessed with two of the world's mighty oceans on the east and the west, and with our friendly neighbor on the north and a nation on the south which could hardly disturb our tranquillity even should she develop "ambitions." This contributes to our greatness but is not the secret to our success.

People alone do not account for our greatness. There were people here when Columbus discovered the West. It was their fires that he sighted during the darkness of night. They possessed this blessed land with its natural resources yet lived in economic poverty. Having seen many cultured and refined Indians causes me to question the concept that our greatness could be because we are a better people. And the growth in numbers alone is not the answer as evidenced by the pathetic condition that exists in China and India.

Birth of Free Enterprise

The secret to our success is how we live — the American way of life. And this blessing did not come by chance but was forged out of the success and failure of God-fearing men and women seeking a better life.

Every American should read at least a summary of Governor Bradford's history of the Plymouth Bay Colony. The Pilgrim Fathers, faced with a life and death struggle, established a communistic system. They owned their productive lands in common and pooled the output in a storehouse and rationed "but a quarter of a pound of bread a day to each person." A vicious cycle set in.

"For the yong-men that were most able and fitte for labour and service did repine that they should spend their time and strength to worke for other mens wives and children, with out any recompense. The strong . . . had no more in devission of victails and cloaths, than he that was weake and not able to doe a quarter the other could; this was thought injustice. . . . And for men's wives to be commanded to doe servise for other men, as dressing their meate, washing their cloaths, etc., they deemd it a kind of slaverie, neither could many husbands well brooke it. . . ."

Things went from bad to worse. Production decreased, and "famine must still ensue the next year also, if not some way prevented."

"So the colonists," continued Governor Bradford, "began to thinke how they might raise as much corne as they could, and obtaine a beter crope than they had done, that they might not still thus languish in miserie. At length after much debate of things, the Governor gave way that they should set corne every man for his owne perticuler, and in that regard trust to themselves . . . And so assigned to every family a parcell of land."

This was the birth of our free enterprise system. It immediately demonstrated its strength. The women now went willingly into the fields, even taking their children to help plant the crops. Those who before said they were weak and unable to work now had go through their veins that something that gave them ambition. All hands became industrious "and instead of famine, now God gave them plentie, and the face of things was changed, to the rejoysing of the hearts of many."

This is the key to our success, a way of life that brings out the best in the most of us. History records the cost of establishing, developing, and strengthening this way of life. That is our precious heritage. We of this generation must remember and teach our children the cost of preserving this way of life.

Security Depends Upon Insecurity

It is easy for most people to understand that the cost of fruit harvested from the trees includes the preparing of the ground, the planting of the trees, and the maintenance of the orchards. Unfortunately, it seems less easy for most people to recognize the cost of our economic fruit. Paradoxical though it may seem, the strength and security of our economic system lies in its uncertainty.

We know that everyone of us is approaching a time of death, yet we meet here in comfort and enjoy these occasions. If the uncertainty of time were eliminated and on to each of us was pinned at this very moment a large lapel card giving with absolute certainty the day and hour when we would die, what would happen? Would this development reduce the amount of productive good that would come out of this convention? Surely the answer is yes. It would be a tragic development, probably reducing seriously our value as a group to society.

Our economic system would soon be wrecked if any large group of people could predict events with absolute certainty. If enforceable laws were passed today making every workingman's job secure until he reached retirement age, a great driving force for good work would be eliminated and productivity would decline. If the inventor knew that every new idea would have value, the intensity and quality of research would decrease and technological progress slow down if not ultimately stop.

The right to succeed as we have enjoyed it in the past cannot be preserved unless we preserve the risk of failure. If we succeed in eliminating the risk of failure we will have forfeited the right for success, as surely as, if we cease exercising our physical bodies, we will lose our physical strength.

People undermine the strength of our American way of life when they seek individually or in groups to obtain "legislative security" and protection from risks and uncertainty. The element of uncertainty must be preserved if we are to continue to reap the

Continued on page 41

*An address by Prof. Edwards before the 48th Annual Meeting, American Life Convention, Chicago, Ill., Oct. 9, 1953.

Expanded Trade and World Peace

By HENRY FORD, II*
President, Ford Motor Company

Asserting a rich, expanding foreign trade is important to all parts of the American economy, leading auto manufacturer urges we convert our potential world markets into real markets. Stresses growing dependence on foreign sources of raw materials and thus we stand to benefit from a policy which will permit us to import more things at lower cost, and ultimately to sell more goods abroad. Scores protectionist sentiment, and argues dropping tariffs would result in little industry displacement. Says tariffs are a form of subsidy and our ability to lead free world is at stake if we divide the world economically by a protectionist trade policy.

For a long time, many of us in this room have preached the idea of responsible private leadership in our national life. We know that our government must make hard and often unpopular decisions in the pursuit of peace. We know that it cannot carry out such decisions without the vigorous support of American private leadership. Most of us feel that this is a time like no other time in history. Never before has the world so clearly fought for ultimate stakes. We can no longer afford to play penny-ante poker with destiny. We can no longer be content to just muddle through. The chips are down.

Henry Ford, II

Most of us realize that we must find a way to give the same all-out effort and sacrifice and ingenuity to winning peace which in the past has gone into the winning of wars.

Most of us feel a strong desire to stop talking and start acting.

Tonight—right here and now—we have a big chance to start translating talk into action where it will do a tremendous amount of good.

You have heard this evening about the vital task being undertaken by the Committee for a National Trade Policy. You have been asked to give your support to the Committee.

How you and thousands of other Americans respond will decide whether or not we shall have a sane and realistic trade policy.

This can be a real test case of our ability to unite on a difficult and touchy domestic issue, and to resolve that issue in favor of our own national interest, of international economic solidarity, friendship and peace. If we pass that test, we shall greatly strengthen the confidence others have in us. We shall show them an American government and people, strongly united on basic objectives, and ready and able to make the decisions required for peace.

And we shall do more than anything else I can think of to give American business leadership a clean bill of health in the eyes of the world. I don't have to tell you how important that is, when you consider that most of the world looks upon our government as one which is dominated by "business thinking."

I am sure that many Americans, including some of us here, view this trade issue with mixed emotions. Some of us may feel that we are an embattled minority, and that there's no point in getting too far out on the free-trade limb.

Clamor for More Liberal Trade Policy

I think it's important to realize that there is a tremendous amount of public sentiment in this country for a more liberal trade policy.

I have had convincing personal proof of that fact. Last February I gave a talk on foreign trade before the annual meeting of the Inland Daily Press Association.

I was frankly amazed to find that newspaper comments from all over the country were about 95% strongly favorable—and that the brickbats were few and far between. And I was overwhelmed by the enthusiasm with which American men and women wrote me in support of what I had said. Many inspiring letters, in fact, came from leaders of high-tariff industries, saying that they believed the national interest should prevail — even if it did mean problems for them.

That reaction was supported by a Gallup poll of June 29, 1953, on the subject of U. S. trade policy. The poll noted, and I quote, "a dramatic change in American thinking, particularly on the part of Republicans." It added that "the weight of sentiment in favor of lowering tariffs holds for all major segments of the population — by education, sex, occupation and by geographical sections."

It should be comforting to know that so many Americans are of one mind on this vital issue. In the Committee for a National Trade Policy we have a real chance to provide effective leadership and organization and to crystallize that popular sentiment into practical action.

The Issue Clarified

A necessary first step is to dispel some of the fog of confusion, suspicion and emotion which beclouds this whole trade question. It seems to me that the issue can be reduced to clear and understandable terms.

I think we should try to do that tonight without, at the same time, condemning those who stood behind our high tariff policies in the past. There was a time when tariffs played a vital role in our development. In those days we were a debtor nation. We needed tariff protection behind which our young industries could grow and prosper. As they grew, we shipped our goods all over the world in order to pay off our debts.

Today the situation is reversed. Today we are the greatest creditor nation of all time and other nations must sell to us if they are to discharge their debts.

So, as a first step, let's examine our domestic dollars-and-cents interest in expanded trade and explore the more serious problems involved in achieving it.

Next, let's consider the deeper implications of this trade issue, what vital stakes we all have in it, and why all of us here should take an active side in it.

Let's start off with the flat statement that a rich, expanding foreign trade is important to all parts of the American economy—to industry, labor and agriculture.

Continued on page 36

*An address by Mr. Ford at a dinner sponsored by the Committee for a National Trade Policy, New York City, October 26, 1953.

A Prosperous Mining Industry Will Create Raw Materials

By ANDREW FLETCHER
President, American Institute of Mining & Metallurgical Engineers
President, St. Joseph Lead Company

Head of a leading lead producer contends if we do not want to be a "have-not" nation, we must see to it that our mining industry is kept profitable and prosperous. Lists as proposed means of preserving our mineral resources and meeting foreign competition: (1) increase in U. S. metal stockpiles; (2) impose import quotas; (3) subsidize U. S. production; (4) an increase in tariffs; and (5) a sliding scale tax or tariff.

The average cost per pound of lead, zinc, and possibly copper, produced in the United States, is and seems destined to continue to be greater than the average production cost outside of our country, even including cost of transportation to our markets. The higher cost is primarily because of the higher U. S. standard of living, with the resultant high labor, material, power and equipment costs—and we should have no regrets that it is so!

Andrew Fletcher

The cost of producing wheat, corn, wool, cotton, petroleum, watches, glass, china, ships and many other products in the U. S. is also greater than in European lands—but to date, I have not yet heard the suggestion that we should give up farming in the United States, buy our food supplies abroad and save our fields, under the slogan that it would be cheaper, our foreign friends would have dollars to buy our manufactured products, and when an emergency arose, we could replant. Overlooking for the moment the great difficulty of reopening a mine, the mining industry would be just as handicapped in the lack of technical personnel, know-how and efficient equipment as would the farmer—if the lead and zinc industry is shut down, as a large part of it certainly will be, unless the U. S. nation takes prompt and constructive action.

The higher U. S. farm costs are being offset by parity price programs, and the higher cotton, sugar, wool and other commodities costs by import quotas—why is it then so inadvisable to help our domestic mining industry, which in the event of another war is vital to the defense of our nation? Apparently one reason for not aiding our industry is that certain officials in Washington, Paley Committee, etc., have offered statistics which they state indicate that the U. S. is running out of lead and zinc, and therefore it is better to keep our small reserves in the ground. I have little faith in their conclusions, and have referred them to similar predictions, such as:

The 1921 "Gas Age Record" prediction that by 1941 we would have completely exhausted our petroleum reserves and that the peak of natural gas production had already been passed.

The 1935 symposium, sponsored by the University of Minnesota and the American Association for the Advancement of Science, at which it was stated:

"In terms of years of measured reserves of present commercial grades, the United States has supplies of oil, zinc and lead for from 15 to 20 years."

At a 1952 discussion of the Paley report in Denver, as well as at other times, I have offered figures that indicated my great difference of opinion. It seems to me that the last two Administrations, our State Department and many of our so-called Free Traders are inclined to paint depressing pictures of our domestic mining industry in order to justify their own views—and they completely overlook the basic fact that a prosperous mining industry will "create" needed raw materials. For example, aluminum cost over $500 per pound in 1861, when ore reserves were enormous, but because of price, there was a shortage of metal; today, because of technical developments, it is plentiful and cheap. Only 12 years ago the first plant of 9,000 tons capacity was built to secure magnesium from sea water, but today we have an output of 100,000—and still plenty of sea water. There is ample titanium ore, but not metal, just because a cheap method has not worked out to obtain it; the same applies to germanium and other scarce metals. When you remember the predictions that there would not be sufficient iron ore to take care of the world requirements, just pause and think of the taconite process in Minnesota, the great new developments in Labrador, Venezuela, Brazil, Liberia and the indications of additional resources in other parts of the world that exploration has already found. When the Apache Indians inhabited the Southwest, there was a shortage of copper; now look at the great copper operations in Arizona and look at the natural gas and petroleum output here in Texas. If the Apaches had followed the "have-not" policy—the metal, gas and oil would probably still be in the ground! If St. Joe didn't have the benefit of high metal prices during recent years, they would not have had the millions to spend on exploration, and the large new Indian Creek lead-zinc deposit would not have been found and equipped. I am sure that there are many more such deposits in the Mississippi basin and other U. S. areas—but only a going and prosperous domestic mining company can find them.

The question for our nation to decide is:

Do we, or don't we want a prosperous domestic mining industry, and so be in a position to "create" our own needed raw materials; and—

If we do not want to be a "have-not" nation, what is the best way to offset the lower foreign production cost—we must at all times realize that our domestic metal will cost more, just as does our wheat, corn, cotton, wool, etc.

The following methods are suggested:

I
Increase the U. S. Metal Stockpiles

The world production of lead and zinc has been, and still is considerably in excess of world consumption. During the last five years, 1948-1952, about 950,000 tons more lead and over 450,000 tons more zinc were imported into the United States than were consumed — most of this unneeded world surplus was placed in the U. S. stockpiles. As there is now probably 800,000-1,000,000 tons of both lead and zinc in the stockpiles, the officials have only been willing to take a small portion of the additional unneeded 1953 surplus imports, which for this single year, may approximate 250,000 tons of lead more than the market should absorb, and 320,000 tons of zinc. Assuming that our nation will not permit the shutting down of a major portion of the lead and zinc mines, it would seem that the stockpile has now sufficient tonnages — however, purchasing the surplus world production, and keeping it from flooding the domestic markets, is one way of supporting the U. S. price level at a point where our miners may operate. I personally am not in favor of this procedure, as it probably would only give temporary relief, and it would have the tendency of maintaining world metal prices at approximately the U. S. market prices, with the result that production outside the U. S. will continue at unneeded levels — because, as I have already stated, the average foreign cost is less than ours.

I might add that world copper production would also appear to be in excess of demand, because the world price has fallen even though the Chilean production has not been marketed.

Suggestions have been made, notably by the Paley Commission, that unneeded world production might be handled through international buffer stocks, by multilateral government contracts, quotas, or such devices as the wheat agreement or tin cartel. In my opinion, if our nation should be fooled into adopting such measures, the result would be the early socialization of the domestic as well as the world mining industries.

II
Import Quotas

This is a device used by many foreign nations and by the United States in respect to sugar, wool and other commodities. Sugar is sugar—but there are many grades of metal and concentrates. Assuming for the moment that our State Department or some other government agency could work out a fair allocation procedure for cutting imports by, say, 50%, a method for changing the quotas under changing U. S. consumption, deciding what proportion of the imports should be metal and not concentrates, and then deciding what U. S. smelters should get the various grades of concentrates — the result would certainly be more, not less, government intervention. The procedure involves so many foreseeable difficulties, and so many unforeseeable ones will probably arise, that I don't think that import quotas are practical.

III
Subsidize U. S. Production

This is probably the simplest method, and it would not be necessary to use the discredited World War II Premium Price Plan, but rather to pay a flat rate of, say, 3, 4 or 5 cents per pound for all domestically-produced lead and zinc, as is now done for agricultural products, air mail, ship construction and operation, etc. There could be no great objection by foreign nations to this procedure, or by our own nationals. My objection to subsidies is that the unneeded world production would not be curtailed, and in the end our government will control the mining industry, as our farmers are beginning to realize in respect to their properties.

IV
Increase in Tariffs

The Emergency Lead and Zinc Committee, which represents practically all the U. S. mines, have filed with the Tariff Commission a request for relief under the Escape Clause in the Reciprocal Trade Agreements, and hearings will be held in Washington during the first week of November. The maximum tariff (including the present negligible tariff) on this basis, would amount to 2.55 cents per pound on lead metal, 2.10 on zinc metal, and 1.80 on the lead and zinc content of the ore or concentrates. I do not think that under our high living standard these rates will be high enough to maintain our industry on a sufficiently profitable basis, and the small difference between zinc metal and concentrates will result in considerable hardship for the domestic zinc smelters.

I was surprised in Seattle to hear an objection from a Canadian friend to even this small increase in the tariff, especially when the existing Canadian tariff on lead and zinc of one cent per pound plus 10% ad valorem, amounts at market prices of 10-cent zinc and 13.5 lead, to a 2-cent tariff on zinc and 2.35 on lead. It seems to me that the United States might not today require such a large tonnage of imports if instead of the present negligible tariff that amounts to only 6%-8% of the value of the metal, we had the 36%-43% protection that prevailed during the 1935-1940 pre-World War II period — because more domestic mines would be operating.

V
Sliding Scale Tax or Tariff

As you probably know, the domestic mining industry has proposed a sliding scale tax or tariff —this to me seems the best procedure, as it only would give protection when it was needed, and there would be no tax or tariff when the domestic metal price indicated that the demand was in excess of the available supply. For example, assuming that the domestic zinc mining industry needed a 14- or 15-cent price to maintain profitable operations, and the domestic price had been forced to 10 cents because of excessive imports from the unneeded world production—then a tariff of 4 or 5 cents per pound would be needed. However, when the domestic price increased due to a reduction in imports, then the 4- or 5-cent protection would not be needed, and it should be reduced, until it could be completely wiped out. A fixed tariff rate, that was not reduced, whether it was 2, 3, 4 or 5 cents per pound, would not be as fair for the consumers and our foreign friends, in my opinion, as is the sliding scale basis. Certainly there are difficulties in working out the details, but they are not unsurmountable, as long as the domestic consumers and even our foreign friends believe that it is to the best interests of all concerned not to shut down a major portion of the U. S. lead and zinc mines, and convert our country into a Have-Not Nation as respecting these metals.

Chas. G. Scheuer With Wm. H. Teglmeyer Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles G. Scheuer has become associated with Wm. H. Tegtmeyer & Co., 120 South La Street. He was formerly with Dempsey-Tegeler & Co. in their trading department. In the past he conducted his own investment firm in Chicago, Ill.

Charles G. Scheuer

Harold Wild Opens

WASHINGTON, D. C.—Harold A. Wild is conducting an investment business from offices at 17th and Pennsylvania Avenue, N. W.

With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Philip R. Baus has become associated with Hemphill, Noyes & Co., 9478 Santa Monica Boulevard. He was formerly with Douglass & Co.

Impact of a Recession On Commercial Banks

By CHARLES F. NAGEL*
Vice-President, Provident Trust Company of Philadelphia

Philadelphia banker, pointing out consumer psychological factors may produce business decline, despite strong supporting factors, discusses effects of this change on commercial banking. Says commercial bankers may have to adopt a more realistic approach in pricing their "product," if banking is to remain in private hands, and lists as means of rebutting a depression: (1) increase in bank assets; (2) reduction in operating costs; and (3) adequate charges for credit and bank services. Holds current prime rate for bank loans is low compared with that of previous periods, and urges loans dependent on "good times" be liquidated and bank public relations improved.

The consensus of economists and other business forecasters seems to be that the postwar boom is in a topping-out phase and a period of readjustment is at hand. It is thought that the factors which have furnished the primary impetus in raising business indexes to record levels will diminish in their influence from this point on. These factors include the extraordinary durable goods boom financed in large part by an expansion of private indebtedness to $303 billion, the acceleration of defense spending to a 50 billion dollar annual rate, and the correction of war created shortages of goods together with the restoration of normal inventories. The consensus receives further support from the decline in farm prices and income, and the evidence that production in several lines is exceeding current consumption with a resulting tendency toward excessive inventories.

Charles F. Nagel

There is less agreement as to the probable extent of the readjustment, most estimates ranging from 5% to 15% in terms of gross national product. Those expecting no more than a minor recession of business activity have little difficulty in presenting an impressive array of factors tending to stabilize consumer purchasing power and expenditures. These include:

(1.) The record level and broad distribution of the national income. It has been estimated that in 1951, 54% of American familes had incomes in excess of $3,000 per year compared with 35% in 1929, both expressed in terms of 1951 dollars. Moreover, the richest 5% currently receives 15% of total disposable income, compared with 34% of the total in 1929.

(2.) Liquid savings held by individuals aggregating more than $220 billion, half of it in currency and bank deposits.

(3.) The remarkable increase in population. By the end of this year nearly 10 million will have been added to the increase of 19 million in the 1940-50 decade, with an additional 15-18 million increase expected by 1960.

(4.) The apparent necessity to continue defense expenditures at close to the existing level.

(5.) The vast expenditures by industry on research in developing new and improved products and on promotion of consumer demand.

(6.) The responsibility assumed by both major political parties for the maintenance of "full employment." The Federal Reserve System can undoubtedly be counted upon to undertake to utilize its powers and influence toward the attainment of the same objectives.

Uncertain Consumer Psychological Factors

However impressive the fundamental factors supporting the view that a business readjustment should be limited to minor proportions, we would be ignoring economic history if we overlooked the possibility that consumer psychological factors might produce a different result. In June of 1950 there was ample evidence that the Korean War could be fought without creating shortages of civilian goods and without a significant increase in the general level of prices. The average consumer, however, didn't believe the facts and the ensuing stampede created the very shortages and price rises that he feared. Many leaders in government and business shared the view that a Korean truce would probably be followed by a let-up in consumer spending in anticipation of less overtime, more unemployment, etc. Once again the experts were wrong, and the truce was followed by one of the best summers in retail history.

On the whole, it would appear that business activity should remain at a high level for the balance of 1953, stimulated by normal seasonal factors. However, barring another Korea, or a similar international shock, it would seem likely that the symptoms of readjustment should become apparent after the turn of the year, possibly accentuated by the deflationary impact of the Mills Plan. While the stabilizing factors already discussed should ultimately assert themselves, the severity and duration of the intervening readjustment will probably be determined by the success or failure of efforts to bolster consumer confidence. The importance of consumer confidence is evident when it is realized that an estimated 40% of the average American family's disposable income is available for more or less discretionary purchases or saving.

Impact of Readjustment On Commercial Banks

A business readjustment will have varying effects on different businesses. Those who regard commercial banks as relatively recession-proof fail to reckon with the vulnerability of bank earnings to a significant decline in money rates. Indeed, commercial bankers might well have to adopt a more realistic approach in the pricing of their "product" if America's privately owned, non-political banking system is to be spared the fate of such banks in every other major nation of the world. We have only to refer to the recently released Annual Report of the Federal Deposit Insurance Corporation for the year 1952 to appreciate the seriousness of the situation presently confronting our commercial banks.

The F.D.I.C.'s Annual Report indicates that a return of gross operating earnings rates to the 1945 level might put insured commercial banks as a whole "in the red." Specifically it discloses that current operating expenses (before income taxes) of all insured commercial banks in the United States doubled in the seven years following 1945, and in 1952 equalled 1.68% of total assets. During the same period gross operating earnings also doubled, and expressed as a percent of total assets increased from 1.71% to 2.74%. Thus the 1952 level of operating expenses (1.68% of total assets) was only nominally lower than the operating earnings which could have been realized on the same volume of assets at the 1945 gross earnings rate (1.71% of total assets).

Sources for Combating Depression

Assistance in averting a serious situation might be available from one or more of three sources: (1) an increase in assets; (2) a reduction in operating expenses; and (3) a more realistic policy as to pricing of bank credit and services.

The substantial increases in assets of commercial banks in the past two decades enabled them to cope successfully with low and declining money rates. In the 1930's this increase stemmed primarily from devaluation followed by a heavy inflow of gold. In the 1940's, wartime deficit financing produced an even greater increase in bank assets. Neither devaluation nor extensive deficit financing is compatible with a sound money policy advocated by the Eisenhower Administration and endorsed by most bankers. Neither can be counted upon to buttress bank earnings in the near future.

Nor can much relief be expected from the expense side of the earnings statement. Salaries and wages comprise about half the total of current operating expenses excluding income taxes, and appear more likely to increase than to decrease. The next most important single item of expense, interest paid on deposits, appears susceptible of little reduction, having averaged only 1.15% of time and savings deposits last year. Some economies might be realized in other expenditures, but it seems all too evident that primary emphasis must be upon maintenance of gross operating earnings if serious consequences are to be avoided.

The danger of a sharp decline in money rates might not be too great if bankers followed the practices of every other industry, with the possible exception of agriculture, in pricing their products. In such a case we, like they, might assume that a good bit of inflation would be frozen into our price structure. Unfortunately, too many bankers appear to be thoroughly resigned to "absentee" dictation of money rates. While conceding that rates are too low to cover operating costs and losses, the normal banker attitude is to drift with the tide, meanwhile blaming "the Treasury," "the Federal Reserve," "the bank down the street," "the big New York banks," etc. We can rationalize all we want about the differences between commercial banking and other businesses, but when we get right down to cases there doesn't appear to be any good reason why the same basic pricing principles don't apply. Costs and profits figure in their pricing policies even as they should in ours. When profit margins of an efficiently operated enterprise are threatened with extinction, the competitive emphasis should be on quality of products or services, not on price.

What the Borrowing Rate Should Provide

Let's take the prime commercial borrowing rate, for example.

Continued on page 35

*Digest of an address by Mr. Nagel before the Anthracite Chapter, National Association of Bank Auditors and Comptrollers, Philadelphia, Pa., Sept. 23, 1953.

THE MARKET . . . AND YOU

By WALLACE STREETE

The creeping recovery in the stock market, still viewed dubiously by a majority of the technicians and analysts, was able this week to carry prices, at least as measured by the averages, to a level not seen in many weeks. In fact, the high point of the move for the industrials was a better standing than has been achieved since May before the summer slide set in.

* * *

The two situations that still kept the majority of the brokers cautious, if not skeptical, were the lack of a pronounced and sustained pickup in volume and the persistent failure on the part of the rails to get going. The rail index, as a matter of fact, has barely recovered the ground lost in the September selloff and is still lagging by some nine points from equalling the August high.

* * *

With the industrials, at least, at what is widely considered to be an area of much congestion, the general feeling is that volume would have to pick up markedly for the considerable supply of stock in this area to be absorbed if the advance is to continue. On the other hand, the recovery from the September lows was also supposed to have fallen far short of the present mark unless volume picked up, but it continued to forge ahead anyaway.

* * *

Blue Chips Carry the Load

As has been the case for virtually the entire year, the handful of blue chips—that also dominate the averages—have done most of the work. While there have been claims recently, with reason, that the low-priced speculative issues have been showing signs of life, the truth is that for most it has been rather momentary with the progress far short of being important.

* * *

In the secondary end of the list mergers still seem to be able to inspire better action. The Briggs-Chrysler union, which is official, bred enough rumors to perk up all the independents in the automotive section as well as a fair share of the auto suppliers. But, here again, the progress was only sizable in that most were at historically low levels for the last half dozen years at least. Hudson, for instance, was able to reach a level only about half its going price of 1948 which, even in retrospect wasn't an overly favorable year marketwise. Mack Trucks' performance was comparable.

* * *

The Year-End Dividends

Year-end dividends were able to generate good action in isolated cases but there was nothing extreme about it apart from the blue-chip-end where issues such as General Electric were able to break out into new high territory. In the case of General Electric it is still questionable whether the prospect of commercial power from atomic energy with all the romance that that implies didn't contribute even more importantly to market action than the payment.

* * *

For a case of contrary action, Beaunit Mills is a leading example. Even though the rayon end of the textile business hasn't been viewed as dourly as the natural fibre section, the declaration by Beaunit of its first dividend in a couple of years wasn't enough to stir up any enthusiasm for the soft goods producers. In fact, Beaunit was among the first issues to drop to a new low for this week's list.

* * *

Helping to bolster the theory that the secondary issues are building up at least a facade of interest was the momentary strength in American Woolen which bubbled along without any official confirmation and seemed mostly due to hopes that some sort of a union with Robbins Mills might be revived. Chief benefit of such a merger would be that Woolen would achieve overnight a position in the synthetic fibre field which is about the sole hope for the company since there is little hope that the natural fibre business is anywhere near a turning point that will scatter prosperity through the field. But overall the progress was limited, particularly since Woolen's best effort was to recross the 16 line. But that price is the lowest it has been, excepting the 1953 absolute low, since it was recapitalized in 1946. And it is only a fraction of the 46 reached in 1950, the 56 hit in 1948 and the better than 70 peak in 1946.

* * *

Pickup in the Oils

The oils have finally, after months of inaction, started to show they can respond to prospects and specific good news. Considering that they have been for so long so prominent in the mutual fund portfolios, their action up to now is a disappointment sec-

ond only to that of the rails. Here again it is the investment grade integrated companies that have been able to carve out other than momentary runups.

* * *

Utilities continue to gain favor, Consolidated Edison and Duquesne Light being in sufficient demand to make this week's roster of new highs. Many reasons have been advanced for the popularity of utilities, ranging from a retreat to the defensive end of the list to notions that regulatory authorities are going to go berserk. Actually there is solid reason for the popularity. No less than 33 utility companies have increased their dividends so far this year, a total that dwarfs anything else around.

* * *

The best showing of any other group in the way of higher payments was by the rails but the increases were only 13 while there was one dividend trim and one omission in this section to temper the outlook. By contrast, no utility had to either lower or omit. As a matter of fact, of the major sections the only ones also spotless as far as dividend casualties of any nature were steels, trucks and rubbers. On the other end of the list are those that have yet to offer a candidate with a better payment—the agricultural machinery, coal, office equipment and sugar groups.

* * *

Predictions Balanced

As far as the future course of the market is concerned, only a handful of flat predictions are available and they are pretty well balanced on the bullish and bearish sides. Despite the top side penetration by industrials on various technical measurements, such as moving averages, most of the analysts are stressing selectivity, somewhat limited commitments and a good share of caution. To a great many of them the rails are still the key. Earnings statements are starting to reflect the troubles—and the reduced carloading revenues — of the agricultural areas, which leaves it pretty much up to dividend action to spark any rise in the carrier group. But there has been no rush in that direction by the directors.

* * *

The highs versus lows, however, have maintained their optimistic aspect, highs outpacing the lows by fair margins now for three weeks with only a couple of occasional reverses. Such a situation hasn't been common for about three months.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

LETTER TO THE EDITOR:

McLaughlin Replies to Spahr On Gold Price Controversy

President of Homestake Mining Company denies Dr. Spahr's implication that he favors a further devaluation of the dollar by increasing the price of gold. Says devaluation has already occurred, and gold should be set at price which would give restored gold standard its best chance of survival.

Editor, Commercial and Financial Chronicle:

The comments by Professor Walter Spahr on my article in your issue of Aug. 6 deserve thoughtful attention and the courtesy of a reply on my part. The disagreement between us on the critical question of price of gold, however, should not be allowed to obscure the basic step which we both warmly urge, viz., the restoration of the gold standard with full convertibility of gold and the dollar at a fixed ratio. I am sure that the prevailing practices — which at times have seemed almost to be an official national policy—of financing deficits through monetizing debt are as distasteful to him as they are to me, and that we are both equally anxious to have gold again used with maximum effectiveness in preserving the stability of monetary values.

D. H. McLaughlin

Consequently, I trust that in the defense of our respective positions on the price of gold the arguments will not go beyond the limit of this specific aspect of the problem and that we shall still recognize our common opponent to be the advocates of the present system of managed currency, who are anxious to avoid the full discipline that gold could enforce on them. Within this restricted range, therefore, and with utmost respect for the strong and persistent arguments that Professor Spahr has made in support of the gold standard, may I reply to certain of his criticisms.

The "misconception of fact and principle" that Professor Spahr finds in his first quotation from my article, must refer to my statement that they (the Economists' National Committee on Monetary Policy) do not advocate going back to the old price of $20.6718, which I follow Professor von Mises in asserting would be consistent with their position. I was glad to have Professor Spahr demonstrate so convincingly that it would now be impossible to return to this old ratio. I completely agree with him; but it seems to me that full convertibility of the dollar into gold at the $35 price at this time would be open to similar criticism. This point makes the argument for a change in price seem even more valid by emphasizing the element of *reductio ad absurdum* that I had endeavored to introduce.

It was perhaps wrong to say that Professor Spahr's group was really endeavoring to give the dollar its old prewar value. I cannot be sure of what they are actually endeavoring to do, but I am afraid that their efforts, if successful, would probably lead to this undesired end. And to say that this observation is untrue is at least debatable.

My critic states that the members of the Economists' National Committee on Monetary Policy have never dealt with the issue raised by repayment of the immense burden of debts in dollars of the same purchasing power as those of 1940, and that it would be absured to do so. This, I must confess, seems most surprising to me for it really is at the very heart of the problem. It can't be ignored simply by stating, as does Professor Spahr, that debts would be paid in dollars of the prevailing purchasing power at the time the debts mature or are paid. Surely, he and his associates must have some concern for the value of the monetary units that would be created by the procedures they advocate, and feel some concern about the possibility of meeting the prewar debts in gold at the old ratio. I suggest reading Dr. J. E. Holloway's comments on this basic point, printed in the "Northern Miner" (Toronto) of May 21, 1953 or his longer article in the South African "Journal of Economics" of June, 1951, or in "Optima" (Johannesburg) of December, 1951. He presents certain fundamental considerations arising from catastrophes as great as the two World Wars that simply cannot be ignored with safety.

Professor Spahr quite correctly notes that nowhere in my article do I recommend another devaluation of our dollar, though he accuses me of using more subtle devices and words to accomplish the same end. In the face of this criticism, I really must endeavor to make my position clear.

As I see it, and as I am sure everyone who meets his bills these days must see it, the devaluation of the paper dollar has already occurred. I am not advocating "another devaluation." I am simply urging that we recognize what has already happened to the dollar, and that we attempt to check its further decline by redefining it in terms of gold. I insist that the depreciated dollar must be adjusted to the value of the standard—gold—rather than attempting to make the standard itself conform to a unit that has been seriously abused since it escaped from the discipline of gold in 1934.

What Professor Spahr is advocating in his insistence upon holding the price of gold at $35 per ounce when convertibility is restored is actually a devaluation of gold. If the attempt were made, I feel sure that the value of gold would prevail and that the dollar, freely convertible into gold at the old ratio, would gradually rise in purchasing power, with consequent fall in prices and wages to those that prevailed before the war. If this took place over a long enough period—two or three decades or more, as happened after convertibility was restored on the old basis after the Civil War—a case might be made for it; but under present circumstances, such deflation, particularly of wages, would probably not be endured. If it occurred rather abruptly, as is a more reasonable expectation, the resulting depression might well be a major disaster.

As I see it, the aim should be to find the price of gold that is in reasonable agreement with the current value of the depreciated dollar, and to restore convertibility and the full gold standard at this ratio. I am of the opinion that it would require a higher price for gold than $35. If this is making me an advocate of another devaluation, I accept the charge; but as I see it, it would be simply the recognition of an actual devaluation that has already occurred, and it would not be an attempted devaluation of the standard itself.

What the right price of gold should be to give the restored gold standard the best chance for survival and to make it an effective mechanism for preventing deflation and a depression on one hand or of further inflation on the other, I do not profess to know. I am much impressed by the arguments advanced by Philip Cortney in favor of a price of $70 per ounce, and many of us in the gold mining industry are willing to urge that this figure be given careful consideration.

Everyone must, however, recognize that this is a very controversial point. Widely different views are held by men of recognized competence in economics, banking and even in gold mining —men whose intellectual integrity cannot be questioned — which surely should warrant some restraint in support of any particular figure. With these differences of opinion in mind, I would like to suggest that instead of insisting that restoration of the gold standard must be contingent upon retention of the $35 price, we shoul advocate a procedure such as that outlined in the resolution passed by the Mining & Metallurgical Society of America last year, and ir a similar statement in the Declaration of Policy recently adopted by the American Mining Congress that is as follows:

"(1) That the restrictions on the purchase, sale and ownership of gold by American citizens be immediately removed;

"(2) That the gold standard be restored at the earliest practicable time;

"(3) That Congress f'x the ratio at which the dollar and gold are to be made fully convertible and determine other technical procedures involved in the restoration of the gold standard, after receiving the recommendation of a Commission of its creation, to which men skilled in appraisal of the world's potential gold supplies as well as men of competence in domestic and international finance and trade should be appointed by designated government authorities."

If by this reasonable procedure the various groups who are most earnestly working for restoration of the gold standard could avoid prolonging the controversy that now seriously weakens their efforts, it would be a great step toward the end we all feel is so essential for the welfare of the nation.

Yours very sincerely,
DONALD H. McLAUGHLIN
President, Homestake Mining Company
President, Mining & Metallurgical Society of America
Chairman, Gold Producers Committee of the American Mining Congress

100 Bush Street,
San Francisco 4, Calif.
Oct. 28, 1953.

Talmage & Co. Admits Two Partners

Talmage & Co., members of the New York and American Stock Exchanges, announce the admission of H. Thomas Osborne

H. Thomas Osborne Leslie G. Schoenhart

and Leslie G. Schoenhart to the firm as general partners.

Mr. Osborne was at one time manager of the foreign department of Francis I. du Pont & Co., and since 1950 has been associated with Hornblower & Weeks.

Mr. Schoenhart was associated with Mabon & Co. for 33 years, and is a past president, cashiers division, Association of Stock Exchange Firms.

The firm also announced the removal of their offices to 111 Broadway, New York City.

W. V. Frankel Announces New Teletype Numbers

Wm. V. Frankel & Co. Inc., 39 Broadway, New York City, has announced that their teletype number has been changed to NY 1-4040 and NY 1-4041.

Philip Gordon Opens

Philip Gordon has formed Philip Gordon & Co., Inc., with offices at 42 Broadway, New York City, to engage in the securities business. He was previously with Israel & Co.

Continued from first page

Funds Take Cautious Attitude Toward Market

the period. Such light buying and the absence of heavy liquidation renders unfounded up to the present time the dire warnings of the critics of the mutuals of what would happen in declining markets.

For a quarter of the open-enders covered in this survey bought stocks on balance (although not one of the older type closed-end companies purchased equities on balance during the period).

Utilities were still the favorite group but purchase transactions were down almost 30% below the preceding quarter. In fact the margin of over-all purchase transactions exceeded sales by only 20%, the smallest it has been for some time. Both natural gas and food stocks maintained their popularity of the preceding quarter and tobaccos and drugs were well liked.

Rails Liquidated

Rails headed a list of a half dozen groups to be sold on balance, the largest number to find marked disfavor in several years. The others were the auto and auto parts, building, steels, nonferrous metals and machinery. Opinion was divided on the oils, electrical equipment and retail issues.

The increasingly conservative attitude of management is substantiated by the fact that two-thirds of the companies surveyed built up their defensive positions during the period. Six balanced funds added to their better grade preferred stocks and corporate bonds, in addition to the 10 increasing reserves of cash and governments. Over one-half of the stock funds and seven closed-enders also added to cash backlogs. The increase in cash and governments during the three month period is as follows:

CASH AND GOVERNMENTS

(Millions of dollars)

	June 30	Sept. 30	Inc.
Balanced Funds	73,948	90,413	22.3%
Stock Funds	98,840	110,191	11.5
Closed-end Cos.	39,647	49,671	25.3
Total	212,435	250,275	17.8

The relatively large reserves of cash and governments pose some interesting questions. For example, funds whose primary objective is income, place a fairly low ceiling on the amount of their assets they can thus immobilize for any length of time. How much sacrifice should be made to income to preserve principal in periods of uncertainty seems to constitute a popular question. Can this temporary loss of income be compensated for by making purchases out of the reserves at particularly advantageous price levels?

Another question arises with respect to closed-end companies. Is such management justified in holding on to a relatively large reserve of liquid assets "waiting for bargains" when, as for example in the case of Adams Express, its own stock, on the buying of which an immediate sizable profit is automatically assured, may be selling at almost a 30% discount? There may be more advantageous purchases for the closed-end investor in the offing, but one wonders if some buying-in of the closed-end company's own stock isn't called for first.

Increasing Caution

The increase in cash positions was accompanied in several instances by other indications of increasing caution. For example, Broad Street Investing Corp. upped its liquid assets 10%, but also increased its holdings of preferreds and corporate bonds, so that its common stock position percentagewise is the lowest it has been in two years. Francis Randolph, Chairman of the Board, states in the quarterly report: ". . . bonds and preferred stocks were favored in purchases made with new funds received and common stock holdings were lowered as a percentage of total assets to 86.6% at the end of the quarter. Securities selected during the past three months continued to favor holdings that might be expected to show resistance to a downtrend in general business activity."

Also worthy of attention is the payment by Axe-Houghton Stock Fund of its bank loan approximating one million dollars on July 30, while also upping its cash reserve. Axe-Houghton Fund "A" increased its holdings of cash and governments from 6.5% on June 30 to 18.9% at the end of the current quarter, pulling down the volatile portion of its portfolio to 45.8%, the lowest it has been in many years.

The Long View

Even some of the almost fully invested funds, who bought on balance and failed to increase cash during the period, foresee some business unsettlement, but their longer range policy precludes adjusting to a more defensive position. For example the quarterly report to shareholders of Fundamental Investors states: "Your company's assets are fully invested in common stocks. Your management, in selecting these securities and in determining the amounts of money invested in various industries, has assumed for many months that a moderate decline in overall business activity might be witnessed late this year or in 1954 and that, as is usual in such circumstances, earnings of some companies would be more affected than others. The evidence presently at hand does not suggest that the country is facing a substantial business depression. Sustained government spending for defense purposes, prospective cuts in personal and corporate income taxes, the large reservoir of personal savings, continued rapid growth of population and forthcoming applications in industry of recent scientific and technological developments, all, in your management's judgment, work toward maintaining a high level of national income."

Selected American Shares, another common stock fund (but a seller on balance during the period, chiefly of rails and steels), also emphasizes the longer-term aspects of the economic picture in its third quarter report: ". . . In periods like this it is easy to lose sight of basic values and long-term probabilities as attention is drawn to temporary near-term problems. Your management —while importantly interested in the near term too—is convinced that the dominating long-term forces in this economy are its healthy growth and *risk of further inflationary developments* [our italics], both of which emphasize the desirability of common stock investments."

The Bearish View

But a fully managed or flexible trust such as New England Fund reiterates its feeling of apprehension in its current shareholders' report: "The strength of the 'reserve' section, composed of short-term bonds and notes, and the continued emphasis on less cyclical common stocks reflects the Trustees cautious attitude toward the prospects of the maintenance of current high levels of earnings. . . . Since there is now growing evidence that supply in many basic industries is overtaking demand, your Trustees feel this added security has proved timely."

Carl A. R. Berg, President of the Mutual Fund of Boston, a balanced open-end company, emphasizes this conservative attitude in his quarterly report to stockholders: "For reasons pointed out in previous reports, the current developments in the business situation seemed inevitable, and prompted the Fund management to establish what it considered to be a conservative position with respect to common stock holdings. A continuance of this policy appears desirable under present conditions. . . ."

The number of less well-known stocks added to portfolios during the quarter under review was unusually small. Gulf Life Insurance Co. was purchased by Axe-Houghton Fund "A" and West Point Manufacturing Co. appeared in the holdings of General Investors Trust. Worthy of mention at this point also is the rather lengthy explanation given by Incorporated Investors for its new acquisitions during the period — Sprague Electric and Union Oil of California. Much discussion ensued at the recent Fifth Annual Mutual Fund Conference in Boston pro and con such explanations and it is commendable that one management should assert its preference by showing the value of publishing such information.

Preference for Utilities

Among funds showing a marked preference for the public utilities during the period were Investors Mutual, Whitehall Fund, Axe-Houghton Stock Fund, Eaton and Howard Stock Fund and Investment Company of America. General Public Utilities was the favorite issue, eight trusts adding a total of 17,447 shares. One block of 500 shares was sold. During the previous period GPU had been one of the best-liked companies in the group although half of its purchases were stimulated through rights. Pacific Gas and Electric was also one of the most popular of the power and light group during the period under review, although a portion of the 34,000 share additions was acquired through rights. There was a complete absence of liquidation. Duquesne Light, also a top favorite, was added to three portfolios and introduced initially to three others. Next in popularity was Commonwealth Edison, five managements acquiring a total of 11,425 shares, two making initial commitments. Another eliminated a block of 3,000 shares from its holdings. There were four purchases each of Central Illinois Public Service, Middle South Utilities, Rochester Gas and Electric and Southern Company. Four trusts also purchased a total of 37,319 shares of New York State Gas and Electric although rights were exercised in the acquisition of some of this stock. Three managements added 6,000 shares of American Telephone upon which opinion had been split during the previous quarter. A single block of 5,000 shares was sold by Affiliated Fund which had also decreased its holdings in the second quarter of the year. Louisville Gas and Electric and Southern California Edison were also each acquired by three companies.

Some Utility Sales

Least popular issue in the group was Minnesota Power and Light, three trusts lightening commitments and a fourth eliminating the stock from its portfolio. Total sales of 13,900 shares were partially offset by one purchase of 10,300 shares. A total of 43,500 shares of Kansas Power and Light

was decreased in one portfolio and cleaned out of two others; one block of 1,000 shares was bought. Texas Utilities and Virginia Electric Power were also each sold by three funds. Two of the former and one of the latter represented complete eliminations. Disposed of by two managements each were International Telephone and Telegraph, Kansas City Power and Light, Mountain States Power, Scranton Electric and Union Electric of Missouri.

Natural Gas Group Popular

Panhandle Eastern Pipe Line was top favorite in the natural gas group, six funds acquiring a total of 16,800 shares, one making a new commitment. Another trust sold a 500 share block. During the previous period Panhandle had ranked number two in popularity, sharing this position with Columbia Gas System and El Paso Natural Gas. Five companies bought a total of 15,300 shares of Shamrock Oil and Gas, one making an initial commitment. A sixth lightened holdings and another eliminated a total of 13,600 shares. American Natural Gas was added to existing holdings of three managements and initially purchased by a fourth. Acquisitions totaling 4,700 shares were offset by elimination of a block of 19,100 shares. United Gas Corporation was added in volume—19 managements purchasing a total of 144,946 shares—but the major portion of these additions was stimulated through the exercise of rights. Some stock was also received as a distribution from Electric Bond and Share. Three funds each acquired Brooklyn Union Gas, Consolidated Natural Gas, El Paso Natural Gas and Northern Natural Gas. The latter had been the most popular issue in the preceding quarter. Only preponderance of selling was in Western Natural Gas, two managements lightening commitments totaling 15,000 shares.

DuPont Maintaining Popularity

DuPont was easily the most popular chemical issue as it had been during the two earlier periods of the year. Seven investment companies added a total of 27,200 shares to existing holdings and there was a complete absence of selling. Union Carbide, which had shared popularity honors with three other chemicals in ranking number three in the second quarter, was now second most popular in the group along with Eastman Kodak. Five trusts purchased a total of 9,400 shares of Carbide while 16,800 shares of Kodak were split between two new commitments and three portfolio additions. Three managements liked Atlas Powder while two each bought shares of Mathieson Chemical and American Agricultural Chemical. Over-all purchase transactions in the group were 14% under those of the preceding period. Victor Chemical was the only issue to be sold on balance a total of 8,400 shares representing one portfolio decrease and another elimination.

As in the case of du Pont in the chemical division, United Fruit

Continued on page 21

Balance Between Cash and Investments of 62 Investment Companies

End of Quarterly Periods June and September, 1953

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent —End of—		Investment Bonds and Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	June	Sept.	June	Sept.	June	Sept.	June	Sept.
Open-End Balanced Funds:								
American Business Shares	7,524	7,943	21.1	22.4	28.8	27.9	50.1	49.7
Axe-Houghton Fund "A"	2,013	5,915	6.5	18.9	35.6	35.3	57.9	45.8
Axe-Houghton "B"	1,064	1,303	3.9	4.8	30.2	29.3	65.9	65.9
Boston Fund	131	1,500	0.2	1.7	42.4	41.3	57.4	57.0
Commonwealth Investment	3,491	4,255	5.7	6.9	23.5	26.2	70.8	66.9
Diversified Investment Fund—Diversified Funds, Inc.	442	373	1.4	1.2	26.8	27.4	71.8	71.4
†Dreyfus Fund	400	365	26.9	25.0	14.2	18.8	58.9	56.2
Eaton & Howard Balanced	7,908	9,777	8.4	10.2	32.6	31.4	59.0	58.4
Fully Administered Fund—Group Securities	2,073	2,058	31.5	31.7	8.7	9.0	59.8	59.3
‡General Investors Trust	321	283	14.6	13.5	15.5	15.6	69.9	70.9
Investors Mutual	6,166	10,055	1.4	2.1	34.2	34.7	64.4	63.2
Johnston Mutual Fund	307	338	14.0	15.2	25.5	27.0	60.5	57.8
§Mutual Fund of Boston	22	17	1.1	0.9	40.3	42.1	58.6	57.0
National Securities—Income	791	748	2.6	2.5	16.1	16.0	81.3	81.5
Nation Wide Securities	3,466	2,685	18.2	14.3	28.0	30.5	53.8	55.2
George Putnam Fund	3,224	5,001	5.2	8.0	27.0	25.2	67.8	66.8
Scudder, Stevens & Clark	4,138	3,661	10.8	9.6	38.0	39.2	51.2	51.2
Shareholders Trust of Boston	298	281	3.4	3.3	25.2	25.9	71.4	70.8
Stein Roe and Farnham Fund	1,628	1,658	24.3	23.5	25.7	26.8	50.0	49.7
Wellington Fund	27,773	31,676	11.0	12.1	26.9	27.3	62.1	60.6
Whitehall Fund	1,112	287	22.8	6.0	25.9	42.0	51.3	52.0
Wisconsin Investment Co.	768	518	15.6	10.5	2.5	2.3	81.9	87.2
Open-End Stock Funds:								
Affiliated Fund	6,525	8,133	2.7	3.4	None	None	97.3	96.6
¶Axe-Houghton Stock Fund	381	488	6.2	9.0	35.2	34.3	58.6	56.7
Bowling Green Fund	112	124	15.2	16.9	18.3	17.5	66.5	65.6
Blue Ridge Mutual Fund	989	663	5.2	3.7	None	None	94.8	96.3
Broad Street Investing	738	805	2.3	2.5	8.1	10.0	89.6	87.5
Bullock Fund	1,388	1,578	9.6	11.2	0.1	0.1	90.3	88.7
Delaware Fund	153	265	1.0	1.8	5.0	4.6	94.0	93.6
de Vegh Mutual Fund	368	140	18.9	7.3	None	2.9	81.1	89.8
Dividend Shares	11,744	16,843	10.4	14.8	None	None	89.6	85.2
Eaton & Howard Stock	1,450	1,136	8.0	6.1	None	None	92.0	93.9
Fidelity Fund	2,727	4,342	3.2	5.3	0.8	1.0	96.0	93.7
Fundamental Investors	2,950	3,049	2.0	2.1	None	None	98.0	97.9
General Capital Corp.	2,886	2,733	21.5	21.1	None	None	78.5	78.9
Group Securities—Common Stock Fund	277	385	4.7	6.1	None	None	95.3	93.9
Incorporated Investors	6,107	7,037	4.7	5.8	None	None	95.3	94.2
Institutional Foundation Fund	51	93	2.2	3.9	14.4	14.5	83.4	81.6
Investment Co. of America	2,124	1,758	9.1	7.3	0.4	0.4	90.5	92.3
Investors Management Fund	253	279	2.0	2.2	None	None	98.0	97.8
Knickerbocker Fund	7,980	9,117	49.5	59.5	3.1	3.3	47.4	37.2
Loomis-Sayles Mutual Fund	7,105	7,382	23.6	24.0	25.0	24.5	51.4	51.5
Massachusetts Investors Trust	12,208	13,528	2.5	2.8	None	None	97.5	97.2
Mass. Investors Growth Stock Fund	841	815	2.1	2.1	None	None	97.9	97.9
Mutual Investment Fund	316	336	11.2	11.2	34.6	35.0	54.2	53.8
National Investors	309	343	1.1	1.2	None	None	98.9	98.8
National Securities—Stock	1,739	1,847	2.8	3.0	None	None	97.2	97.0
New England Fund	1,998	1,956	31.8	31.4	5.0	5.0	63.2	63.6
Selected American Shares	1,372	2,241	5.4	8.9	None	None	94.6	91.1
Sovereign Investors	16	8	2.3	1.2	6.6	6.6	91.1	92.2
State Street Investment Corp.	23,010	21,962	21.0	20.9	0.5	0.1	78.5	79.0
Wall Street Investing Corp.	717	805	20.9	23.0	None	None	79.1	77.0
Closed-End Companies:								
Adams Express	2,638	2,588	5.3	5.4	0.9	0.8	93.8	93.8
American European Securities	399	559	3.6	5.1	7.5	10.7	88.9	84.2
American International	601	683	2.7	3.2	1.5	1.3	95.8	95.5
General American Investors	7,835	7,795	16.2	16.6	None	None	83.8	83.4
General Public Service	772	1,180	5.0	7.6	None	None	95.0	92.4
Lehman Corporation	13,203	17,636	9.7	13.3	None	None	90.3	86.7
National Shares Corp.	1,756	2,206	14.6	18.5	5.2	2.6	80.2	78.9
Tri-Continental Corp.	516	1,138	0.3	0.7	15.6	15.8	84.1	83.5
**U. S. & Foreign Securities	4,539	8,309	8.1	15.4	None	None	91.9	84.6
U. S. & International Securities	7,388	7,577	12.5	13.2	0.1	0.1	87.4	86.7

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Name changed from Nesbett Fund. ‡June figures corrected. §Names changed from Russell Berg Fund. ¶Name changed from Republic Investors. **Portfolio exclusive of securities in subsidiary or associated companies.

SUMMARY

Change in Cash Position of 62 Investment Companies

Open-End Companies:	Plus	Minus	Unchanged	Total
Balanced Funds	10	8	4	22
Stock Funds	17	5	8	30
Closed-End Companies	7	0	3	10
Totals	34	13	15	62

Changes in Common Stock Holdings of 46 Investment Management Groups

(June 30-Sept. 30, 1953)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
10(1)	19,716	Caterpillar Tractor [1]	8,440	3(1)
3(1)	29,900	Deere and Co.	None	None
None	*None*	*J. I. Case*	*6,000*	*2(1)*
		Auto and Auto Parts:		
2(1)	1,500	Briggs Manufacturing	None	None
7(3)	26,300	General Motors	22,000	4(4)
6	4,850	Thompson Products [2]	1,900	2(1)
None	*None*	*Bohn Aluminum and Brass*	*3,500*	*2*
3(1)	*23,700*	*Chrysler*	*14,200*	*5(2)*
1	*8,950*	*Electric Auto-Lite*	*6,900*	*4(3)*
1	*2,000*	*Studebaker*	*72,200*	*6(4)*
		Aviation:		
2	7,000	American Air Lines	None	None
5(1)	7,500	Eastern Air Lines	500	1(1)
5	22,200	North American Aviation	None	None
1(1)	*2,000*	*Lockheed Aircraft*	*20,400*	*3*
		Building Construction and Equipment:		
3	23,300	Armstrong Cork	2,000	1
2	4,000	Carrier Corp.	None	None
None	*None*	*General Portland Cement*	*900*	*3*
2	*6,700*	*Johns-Manville*	*16,100*	*4(2)*
None	*None*	*Mueller Brass*	*1,100*	*2*
None	*None*	*Otis Elevator*	*900*	*2(1)*
		Chemicals:		
2	800	American Agricultural Chemical	None	None
3(1)	2,000	Atlas Powder	None	None
7	27,200	duPont	None	None
5(2)	16,800	Eastman Kodak	410	1
2(1)	6,000	Mathieson Chemical	None	None
5	9,400	Union Carbide	None	None
None	*None*	*Victor Chemical*	*8,400*	*2(1)*
		Containers and Glass:		
6(3)	7,000	American Can	21,100	2
None	*None*	*Emhart Manufacturing* [2a]	*1,100*	*2*
		Drug Products:		
2(1)	10,800	Abbott Laboratories	None	None
3	3,700	McKesson and Robbins	None	None
5	6,875	Merck and Co.	66,500	3(2)
4(2)	24,500	Pfizer	None	None
		Electrical Equipment:		
6(1)	57,800	Radio Corp. of America	4,600	2(1)
3(2)	23,500	Sprague Electric	500	1
		Financial, Banking and Insurance:		
3	2,910	American Re-Insurance Co.	None	None
3(1)	8,900	Chase National Bank	None	None
4	2,244	First Bank Stock Corp.[3]	None	None
2(1)	120	First National Bank (New York)	None	None
3	2,400	Household Finance Corp.	None	None
2(2)	11,000	Manufacturers Natl. Bank (Det.)	None	None
2	39,000	Marine Midland	None	None
2(1)	1,900	Merchants Fire Assurance Co.	None	None
2(1)	2,300	New York Trust Co.	None	None
2	2,200	Pacific Finance Co.	None	None
None	*None*	*Associates Investment Co.*	*37,000*	*3(1)*
		Food Products:		
3	12,400	American Chicle	5,000	1(1)
2	1,100	Archer-Daniels-Midland	None	None
2(1)	4,100	Borden	None	None
4(2)	12,000	Corn Products Refining	None	None
2	9,300	Mead Johnson and Co.	None	None
6(2)	33,700	United Fruit	None	None
2(1)	1,200	Wrigley	None	None
		Machinery and Industrial Equipment:		
4	12,830	Allis Chalmers [4]	3,100	3(2)
2	2,000	Briggs and Stratton	None	None
2(1)	14,500	United Shoe Machinery	None	None
1	*500*	*Bucyrus Erie*	*11,700*	*3*
None	*None*	*Joy Manufacturing*	*800*	*2(1)*
		Metals and Mining:		
2	4,000	Homestake Mining	None	None
1	*1,000*	*Aluminium, Ltd.*	*8,630*	*6(1)*
1(1)	*13,500*	*International Nickel*	*14,700*	*4(1)*
2(1)	*4,700*	*Phelps Dodge*	*5,300*	*4(1)*
None	*None*	*Pittsburgh Consolidation Coal*	*11,500*	*2*
		Office Equipment:		
2	3,000	Pitney-Bowes	None	None
		Paper and Printing:		
2	4,400	Container Corp. of America	None	None
3(1)	11,912	Crown Zellerbach	4,800	1
4	7,300	International Paper	4,000	2
1	*300*	*Marathon Corp.*	*23,400*	*3(2)*
None	*None*	*McGraw-Hill Publishing Co.*[5]	*3,300*	*2*
None	*None*	*West Virginia Pulp and Paper*	*800*	*2(1)*
		Petroleum:		
2(1)	1,400	Anderson-Prichard Oil	None	None
4(2)	37,800	Louisiana Land & Exploration	17,500	1
3	22,500	Mid-Continent Petroleum	500	1
6(2)	46,600	Ohio Oil	200	1
2	4,000	Royal Dutch Petrol'm (fgn. shs.)	None	None
16(4)	19,838	Shell Oil [6]	6,680	3
4(2)	14,200	Sinclair Oil	7,900	2
4(1)	6,200	Standard Oil of California	None	None
11	22,586	Standard Oil of New Jersey [7]	1,040	3(2)
6(1)	16,800	Texas Company	None	None
2(1)	15,500	Union Oil of California	None	None
1	*200*	*Cities Service*	*10,300*	*6(3)*
3	*16,800*	*Continental Oil (Del.)*	*13,600*	*5(1)*
1	*356*	*Gulf Oil*	*15,440*	*6(1)*
None	*None*	*Humble Oil and Refining*	*30,000*	*2*
None	*None*	*International Petroleum, Ltd.*	*6,400*	*3*
3(1)	*19,300*	*Phillips Petroleum*	*15,500*	*5*
1	*2,000*	*Skelly Oil* [8] *(new)*	*16,922*	*3*
		(old)	*2,000*	*1(1)*
None	*None*	*Standard Oil of Indiana*	*16,500*	*4(3)*
		Natural Gas:		
4(1)	4,700	American Natural Gas	19,100	1(1)
3(1)	6,300	Brooklyn Union Gas	None	None
2(1)	13,700	Chicago Corp.	None	None
2	2,000	Columbia Gas System	None	None
3	7,200	Consolidated Natural Gas	None	None
3(1)	12,800	El Paso Natural Gas	None	None
3	6,992	Northern Natural Gas	None	None
6(1)	16,800	Panhandle Eastern Pipe Line	500	1(1)
5(1)	15,300	Shamrock Oil and Gas	13,600	2(1)
2	3,208	Southern Union Gas	None	None
2	3,620	Tennessee Gas Transmission	None	None
19(2)	144,946	United Gas Corp.[9]	None	None
None	*None*	*Western Natural Gas*	*15,000*	*2*
		Public Utilities:		
3	1,600	American Tel. & Tel.	5,000	1
4	14,500	Central Illinois Public Service	None	None
5(2)	11,425	Commonwealth Edison	3,000	1(1)
2(1)	5,300	Consol. Gas, Elec. Lt. & Pwr.	None	None
6(3)	58,900	Duquesne Light	None	None
8	17,447	General Public Utilities	500	1(1)
2	17,500	Illinois Power	None	None
3(1)	1,600	Louisville Gas and Electric	200	1
4	11,800	Middle South Utilities	1,000	1
2(1)	17,000	New England Electric System	None	None
4(1)	37,319	New York State Elec. & Gas [10]	None	None
2(1)	19,000	Oklahoma Gas and Electric	None	None
9	34,000	Pacific Gas and Electric [11]	None	None
2	6,200	Peoples Gas Light and Coke	None	None
4(1)	7,400	Rochester Gas & Electric	900	1
4(1)	30,300	Southern Company	12,000	2(2)
3	16,700	Southern California Edison	2,000	1
2(1)	7,300	Wisconsin Public Service	None	None
None	*None*	*International Tel. and Tel.*	*14,000*	*2(1)*
None	*None*	*Kansas City Power and Light*	*17,600*	*2*
1	*1,000*	*Kansas Power and Light*	*43,500*	*3(2)*
1	*10,300*	*Minnesota Power and Light*	*13,900*	*4(1)*
None	*None*	*Mountain States Power*	*8,000*	*2(1)*
None	*None*	*Scranton Electric*	*2,200*	*2(2)*
1	*500*	*Texas Utilities*	*7,200*	*3(2)*
None	*None*	*Union Electric of Missouri*	*2,720*	*2(2)*
1	*200*	*Virginia Electric and Power*	*18,300*	*3(1)*
		Radio and Amusement:		
3	12,400	Columbia Broadcast. "A" & "B"	None	None
		Railroads:		
6(1)	8,600	Atchison, Topeka & Santa Fe	5,300	3(1)
3(1)	12,200	Louisville and Nashville	1,500	1(1)
6(2)	13,700	Southern Pacific	6,100	4(1)
4	6,200	Union Pacific	1,100	1
None	*None*	*Canadian Pacific*	*12,000*	*2(1)*
3(1)	*3,400*	*Chicago, Rock Island & Pacific*	*15,300*	*5*
None	*None*	*Illinois Central*	*4,700*	*2*
None	*None*	*Kansas City Southern*	*2,100*	*3(1)*
1(1)	*500*	*New York Central*	*41,100*	*4(2)*
2(1)	*1,700*	*N. Y., Chicago and St. Louis* [12]	*3,580*	*4*
2(1)	*4,000*	*Pennsylvania*	*18,000*	*4(2)*
1	*150*	*Seaboard Air Line* [13] *(new)*	*13,000*	*2*
		(old)	*2,500*	*1(1)*
		Retail Trade:		
2	6,600	Associated Dry Goods	None	None
2(1)	11,400	Green (H. L.) Co.	None	None
2	2,900	Kroger Co.	None	None
2	2,700	May Department Stores	None	None
2	5,000	Murphy (G. C.) Co.	None	None
1	*2,000*	*Federated Department Stores*	*7,100*	*3(2)*
1	*800*	*Marshall Field*	*14,800*	*4(2)*
		Steels:		
None	*None*	*Wheeling Steel*	*1,700*	*2*
None	*None*	*Youngstown Sheet and Tube*	*2,300*	*3(3)*

—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
Textiles:				
2	2,500	J. P. Stevens	None	None
None	*None*	*Celanese Corp. of America*	*25,000*	*2*
Tobaccos:				
7(1)	13,900	American Tobacco	2,000	1(1)
3(1)	11,100	P. Lorillard and Co.	5,000	1(1)
6(3)	2,600	Philip Morris	4,500	2(1)
Miscellaneous:				
4	4,600	Minnesota Mining and Mfg.	None	None

FOOTNOTES

1 1,580 shares received as 4% stock dividend.
2 With exception of 700 shares, additions represent 10% stock dividend.
2a Total amount of sales subject to verification.
3 1,494 shares distributed as 2% stock dividend.
4 1,290 shares represent 5% stock distribution.
5 Excluding stock received in 2 for 1 split-up.
6 2% stock dividend amounting to 4,546 shares included.
7 3,306 shares represent distribution from Standard Oil of Indiana. Basis: 1 Jersey for each 50 Indiana.
8 Excludes new shares received as 100% stock distribution.
9 Major additions purchased through rights. Basis: 1 for 10 and over. Also represents distribution from Electric Bond and Share.
10 20,629 shares purchased through rights. Basis: 1 for 8.
11 18,390 shares acquired with rights. Basis: 1 for 10.
12 Excluding shares received in 10% stock distribution.
13 Does not include additional stock received from 2½ for 1 split-up.

NOTE—This survey covers 63 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example the three companies sponsored by E. W. Axe and Company are considered as having the weight of one manager. Changes in the portfolio of Whitehall Fund include elimination of 16 issues acquired with the assets of Howe Fund Plan in June. Individual portfolio changes in Loomis-Sayles Mutual Fund are not surveyed, but those of Overseas Securities (which does not appear in the companion table) are included.

SUMMARY

Excess of Net Portfolio Purchases or Sales of 62 Investment Companies

Open-End Companies:	Bought	Sold	Matched	Total
Balanced Funds	11	5	6	22
Stock Funds	15	5	10	30
Closed-End Companies	0	4	6	10
Totals	26	14	22	62

Continued from page 19

Funds Take Cautious Attitude Toward Market

continued to be the outstanding favorite in the food group which distinction it had likewise held during the two previous 1953 quarterly periods. A total of 33,-700 shares was purchased by six funds, two making initial commitments with no offsetting sales. Two trusts increased holdings and two others made new purchases of Corn Products Refining. Acquisitions totaled 12,000 shares and there was a complete absence of liquidation. 12,400 shares of American Chicle were added to three portfolios offset in part by sale of a block of 5,000 shares. Two purchases each were made of Borden, Mead Johnson and Wrigley. There was no concentrated selling in this division.

Two stocks in the air transport group were liked by the trusts in contrast with indifference to these issues in the second quarter of the year. Five managements purchased a total of 7,500 shares of Eastern Air Lines, one making an initial commitment. 7,000 shares of Amreican Air Lines were also added to two portfolios. American had been the only transport to be purchased on balance during the first three months of the year. North American Aviation was the number one favorite among the manufacturing issues as five trusts acquired a total of 22,200 shares. Three funds, however, sold 20,400 shares of Lockheed.

Tobaccos were liked to about the same extent as during the previous quarter, but sales increased somewhat as a few managements took profits. Preponderance of purchase transactions was concentrated in three issues as contrasted with five during the June quarter. Seven companies bought a total of 16,900 shares of American Tobacco while one block of 2,000 shares was disposed of. Philip Morris was purchased by six trusts, half of these making initial commitments; there were two sales. 11,100 shares of Lorillard were acquired by three funds while a fourth eliminated a 5,000 share block. Opinion was fairly well divided on Reynolds (which had been second most popular issue in the preceding quarter) although total purchase volume far exceeded the amount of stock sold.

Five investment companies liked Merck, adding 6,875 shares, but there were also three sales—two representing complete portfolio eliminations—totaling 66,500 shares. Two funds added to existing holdings of Pfizer while two others made new purchases totaling in all 24,500 shares with no offsetting sales. An interesting switch was made in these two drug stocks by a pair of funds in the Seligman group. Both Broad Street Investing Corp. and National Investors bought Pfizer and sold Merck. Three trusts also purchased McKesson and Robbins while two acquired shares of Abbott Laboratories. Transactions in the textiles were considerably lighter and less concentrated than in the previous quarter although buyers still predominated. J. P. Stevens was liked by two managements. In the previous quarter it had also been the favorite in the group finding favor with four trusts, while in the first three months of the year it had ranked number two with six companies making purchases. Selling was concentrated on Celanese as it had been in the earlier six months of 1953.

Insurance and Bank Stock Buying

Although the insurance issues still were liked, volume of purchases fell off one-half from the preceding quarter. Buying was well scattered although there were three portfolio additions of American Reinsurance as well as one increase and another initial portfolio commitment in Merchants Fire Assurance. Bank stocks received better treatment than the insurance equities, however. Three funds acquired a total of 8,900 shares of Chase, two purchased 120 shares of the First National Bank of New York while two trusts also added 39,000 shares of Marine Midland to existing holdings. One new commitment and one portfolio addition were made in the New York Trust Co. while two new purchases were made of the Manufacturers National Bank of Detroit. It is interesting to note the contrasting views of management on the bank stocks during the period. The George Putnam Fund and Fully Administered Fund bought these issues on balance while Massachusetts Investors Trust sold.

Opinion was almost divided on the two major finance companies contrasting with their sales on balance during the June quarter. Three trusts bought and two sold CIT Financial while this was reversed in Commercial Credit, two purchases offsetting three sales. An initial commitment was represented by the purchases in each issue. Three investment companies bought Household Finance and two acquired 2,200 shares of Pacific Finance. Selling was concentrated on Associates Investment Co., two portfolio decreases and one elimination totaling 37,-000 shares.

Preponderance of selling of the rails did not result in any decrease in purchase transactions which continued at approximately the same pace as during the previous period, but the enthusiasm of the bullish contingent had lagged noticeably in that latter period when contrasted with the first three months of the year. Selling was particularly heavy in the portfolios of Axe-Houghton Fund A and the Axe-Houghton Stock Fund, the George Putnam Fund, Selected American Shares (as noted previously) and Tri-Continental Corporation. Eaton and Howard Balanced Fund disposed of $1½ million principal amount of rail bonds. Rock Island was the least popular issue in the group, five trusts disposing of 15,300 shares. Three purchases equaled 3,400 shares. Totals of 41,-100 shares of New York Central, 3,580 new shares of Nickel Plate, the least popular issue during the June quarter, and 18,000 shares of Pennsylvania were each sold by four funds. Two of the Central and Pennsylvania transactions represented portfolio eliminations. 2,100 shares of Kansas City Southern were disposed of by three companies and three sold shares of Seaboard Air Line. Two sales were made in Canadian Pacific and Illinois Central. The more favorable aspect of the rail picture, however, was that the two most popular issues of the second quarter were still well-liked during the period under review. Six managements purchased a total of 8,600 shares of Santa Fe and a like number acquired 13,700 shares of Southern Pacific. Union Pacific was added to four portfolios, one of which represented an acquisition of 2,800 shares by Investors Mutual, which has been building up this investment each quarter of 1953 so that it now owns a total of 10,000 shares. Another issue running counter to the trend in the rails was Louisville and Nashville, three funds acquiring 12,200 shares and one of these making a new commitment.

Studebaker and Chrysler Again Sold

Sales in the auto stocks were featured by Studebaker and Chrysler as during the June quarter. A total of 72,200 shares of Studebaker was lightened in two portfolios and eliminated from four others. Offsetting was one lone purchase of 1,000 shares. Sales of Chrysler equaled 14,200 shares, represented by three portfolio decreases and two eliminations. Actual volume was higher on the buy side amounting to 23,700 shares, but this represented transactions in only three portfolios. Still duplicating the pattern of the previous period, was the contrasting opinion on General Motors, as a total of 26,300 shares was added to existing holdings by four trusts and initially purchased by three others. However, even in this issue the case for the bears appeared to be strengthening, as four other funds eliminated a total of 22,000 shares from portfolios. Among the parts manufacturers selling was concentrated on Electric Auto-Lite and Bohn Aluminum & Brass. Briggs found a couple of purchasers, but volume was comparatively light.

Building Group Unpopular

Buying was cut in half, while selling transactions increased about 20% in the building and construction division making it third least popular group for the current period contrasting with its rank of number seven favored by the bullish contingent in the June quarter. Johns-Manville bore the brunt of the selling, two managements lightening and two others completely eliminating holdings for a total of 16,100 shares; two purchases equaled 6,700 shares. There were three sales of General Portland Cement in not too heavy volume, while Mueller Brass and Otis Elevator were each disposed of by two trusts. 23,300 shares of Armstrong Cork were added to three portfolios while Carrier Corporation, number two favorite in both the first and second quarters, was acquired by two trusts.

Although selling transactions in the steels were stepped up about 50% over the previous three months, liquidation was not overly heavy and was scattered among several issues. Only noticeable predominance of sellers over buyers was in Wheeling and Youngstown Sheet and Tube with two sales of the former and three of the latter. There were five transactions on either side of the market in Bethlehem while the same number of sales of Republic were offset by four purchases of that issue. Three sales of United States Steel totaling 4,800 shares were almost balanced by two additions equaling 4,500 shares.

Selling in the non-ferrous metals was concentrated in Aluminium, Ltd. much of which had been purchased through rights during the previous quarter. Six managements sold a total of 8,630 shares, one completely eliminating the issue from its portfolio. International Nickel was lightened in three portfolios and eliminated from another, sales totaling 14,-700 shares. A like number of funds sold 5,300 shares of Phelps Dodge, but there were two purchases equalling 4,700 shares. On the other hand, opinion was almost divided on Kennecott, three purchases offsetting one portfolio decrease and another elimination. Two funds also bought 4,000 shares of Homestake, but an equal number of companies sold Pittsburgh Consolidation Coal. Among the machinery manufacturers, sellers were slightly on the ascendant with liquidation concentrated in Bucyrus Erie. There were three sales of this issue and two of Joy Manufacturing. Buyers showed a slight predilection for

Continued on page 22

Continued from page 21

Funds Take Cautious Attitude Toward Market

Briggs and Stratton. Opinion was divided on Allis Chalmers, three portfolio additions (excluding the 5% stock dividend) offsetting two eliminations and one decrease in holdings. United Shoe Machinery was liked by two managements.

Uncertainty About Oils

Opinion was about evenly divided in the petroleum issues, with purchases about equal to those of the previous quarter, and sales up a full 25%. Ohio Oil and Texas were the favorite issues, six trusts making purchases, two of the former and one of the latter representing new commitments. Selling was negligible in Ohio and completely absent in Texas. Four mangements each acquired a total of 37,800 shares of Louisiana Land and Exploration, 14,200 shares of Sinclair and 6,200 shares of Standard Oil of California. Mid-Continent Petroleum was added to three portfolios and there were two purchases each of Royal Dutch Petroleum and Union Oil of California. Four additions were made to existing holdings of Standard of New Jersey, excluding the stock received as a distribution from Standard of Indiana, and seven purchases of Shell swelled the additions resulting from the 2% stock dividend. Selling was concentrated in Gulf and Cities Service by six managements. One completely eliminated holdings of the former issue and three did likewise with the latter. Phillips was also unpopular, five funds lightening holdings totaling 15,500. However, three offsetting purchases equaled 19,300 shares. Standard of Indiana was eliminated from three portfolios and decreased in a fourth while Skelly and International Petroleum were each disposed of by three trusts.

Mixed Opinion on Electrical Equipments

Buying in the electrical equipments was cut back about 50% from the preceding quarter with transactions on either side of the market about balancing each other. Thus, General Electric matched four purchases with a like number of sales and three buyers in Westinghouse almost offset two sellers. Concentrated purchasing was evidenced in Radio Corporation, five portfolio additions and one new commitment totaling 57,800 shares. Managers also liked Sprague Electric, additions equaling 23,500 shares representing two initial purchases and one increase to existing holdings. Selling was not concentrated on any one issue.

Transactions in the retail trade group were evenly divided as buying transactions were sliced approximately in half from the June quarter and selling was stepped up. Two purchases each were scattered among Associated Dry Goods, H. L. Green, Kroger Company, May Department Stores and G. C. Murphy. Brunt of the concentrated selling was in Marshall Field and Federated Department Stores, four sales of the former totaling 14,800 shares and three of the latter equaling 7,100 shares. Sales of each issue included two complete portfolio eliminations. Montgomery Ward had a breathing spell after the concentrated selling of the June quarter, three purchases offsetting three sales, although volume of the selling was considerably heavier and was represented by two portfolio eliminations. Volume in Sears Roebuck was extremely light and transactions were also evenly divided.

Buying in the paper and printing division fell off 50% from the last quarter and opinion was currently divided. International Paper was the favorite as four managements purchased a total of 7,300 shares. Crown Zellerbach was also liked, two additions and one new commitment totaling 11,912 shares. Two purchases were made of Container Corporation of America. Selling was concentrated on Marathon, which had been top favorite in the preceding three months' period. Sales of 23,400 shares were represented by two portfolio eliminations and one decrease in holdings. 3,300 shares of McGraw-Hill were also disposed of by two managements. United States and Foreign Securities eliminated its holdings of Kimberly Clark in addition to disposing of its block of Marathon, thus cleaning out entirely its interest in the paper issues. Overall opinion on the rubber stocks as well as transactions in individual issues was fairly well divided as purchases were decreased one-third from the June quarter.

Geo. J. Arnold With McGrath Securities

George J. Arnold

McGrath Securities Corp., 70 Wall St., New York City, announce that George J. Arnold has become associated with them as Syndicate Manager. Mr. Arnold has been engaged in the origination and wholesale distribution of securities for many years, and until recently was Resident Manager of the New York office of Graham & Company of Pittsburgh, Pa.

Southwestern IBA Group Elects Officers

KANSAS CITY, Mo.—The following new officers have been elected for the 1954 term of the Southwestern Group, Investment Bankers Association of America:

Chairman Howard H. Fitch, Barret, Fitch, North & Co., Kansas City, Missouri, President.

Vice-Chairman Glenn L. Milburn, The Small-Milburn Co., Inc., Wichita, Kansas, Executive Vice-President.

Sec'y Treasurer John J. Bondank, Zahner & Company, Kansas City, Missouri, Secretary and Treasurer.

Suburbia Invs. Formed

SHORT HILLS, N. J. — A. H. Stovall is engaging in an investment business from offices at 83 Stony Lane under the firm name of Suburbia Investments.

Nelson & Combs, Inc. Open

WASHINGTON, D. C.—Nelson & Combs, Inc., is engaging in a securities business from offices at 1326 U Street, N.W. Ralph L. Nelson is a principal of the firm.

Harris Hall Co. and Dean Witter & Co. To Merge

CHICAGO, Ill. — Directors of Harris, Hall & Co., Chicago investment banking house, and the partners of Dean Witter & Co. of San Francisco and New York, have agreed to merge the two businesses. The consolidation is to become effective about December 1, under the name of Dean Witter & Co. The announcement was made today by Edward B. Hall of Harris, Hall & Co., and Dean Witter, senior partner of Dean Witter & Co.

The Harris, Hall office in Chicago, with substantially the entire personnel, will become the midwestern headquarters of the Witter organization, which is a very large one with about 725 employees, with membership in all the principal stock and commodity exchanges, and departments for the underwriting of municipal and corporation securities.

Harris, Hall & Co. was organized in 1935 to carry on the business in corporate securities formerly done by the bond department of the Harris Trust & Savings Bank. Its antecedents in the investment banking business go back to the founding of N. W. Harris & Company in Chicago in 1882.

Dean Witter & Co. was founded in San Francisco in 1924, the outgrowth of a firm originating in 1914, and has grown to be one of the largest investment banking and brokerage concerns in the business. The firm has a large New York office and 23 offices bracketing the Pacific Coast from Seattle to San Francisco, Los Angeles and San Diego. The company also maintains offices in Honolulu and Boston. Until now it has had only a small office in Chicago.

Mr. Hall will retire from active participation in the business and become a limited partner in the Witter firm, and Eaton Taylor, one of the senior partners in that firm, will move to Chicago to oversee the midwestern activities.

The consolidation is to be effected by Dean Witter & Co. acquiring substantially all the assets, plus the records and good will of Harris, Hall & Co., and a special meeting of Harris, Hall & Co. stockholders will be called to ratify the transaction.

Additional N. Y. C. Office

Hayden, Stone & Co., member of the New York Stock Exchange and other principal exchanges, is today opening its second office in the New York midtown area. The new office is located at 509 Fifth Avenue and is under the management of Henry J. Uhlig. The firm also maintains an office at 575 Madison Avenue and has its principal office at 25 Broad Street.

Representatives in Long Island

BROOKLYN, N. Y. — Security Adjustment Corporation announce the appointment of Country Estates, Inc., 14 Haven Avenue, Port Washington, Long Island, as their representatives in the North Shore Long Island territory.

Representatives will give information and take orders on all investments, including stocks, bonds, and all securities traded anywhere n the United States and Canada.

This neighborhood service is for local residents and there is no obligation for information.

E. L. Davis Opens

WRIGHTSTOWN, N. J.—Edwin L. Davis has opened offices on East Main Street to engage in the securities business.

Export Subsidies to Go

By PAUL EINZIG

In calling attention to proposals of Council of European Federations to limit export subsidy schemes and the temporary agreement of the European Organization against artificial incentives to exports, Dr. Einzig finds these developments are step in the right direction, but holds there is bound to be hard bargaining before a "cut-and-dried text is arrived at," and concealed subsidies may continue.

LONDON, Eng. — The Council of European Federations held a meeting in Paris on October 22nd, to discuss proposals for the limitation of indirect export subsidies schemes. The old methods of direct subsidies, under which Governments paid bonuses to industrial firms enabling them to dump their manufactures in foreign countries, are no longer fashionable. Their place has been taken by a wide variety of indirect export incentive methods. They are not nearly as crude as direct subsidies but their effect is precisely the same. They create conditions of cut-throat competition between rival industrial nations to the detriment of all. It is indeed the height of absurdity that the countries of Western Europe, which have every reason to assist each other in the economic as well as the political and military sphere, should adopt a "beggar-my-neighbour" policy in engaging in unrestricted dumping.

Dr. Paul Einzig

The absurdity of this is at last being realized, hence the Paris meeting of the European Organization on which the industrial federations of Western European countries are represented. The meeting was well prepared and in a single sitting it resulted in a standstill agreement providing that for three months no further increase of artificial incentives should be granted to exporters in the countries concerned. It is true the Federations are not Government departments and their agreement is subject to approval by the Governments concerned. There can be no doubt, however, that the approval will be forthcoming. It is also true that the agreement merely prevents for a limited period the increase of the existing degree of indirect export subsidies. Nevertheless, it is gratifying as a first step. It will provide a breathing space during which it might be possible to negotiate a reduction of indirect subsidies.

The next task will be to define precisely the meaning of such subsidies. Pending such a definition the observance of the standstill will be largely a matter of interpretation by the various Governments concerned. For this reason the Council will have to rely on the spirit rather than on the letter of the standstill limit.

One of the types of undesirable incentives envisaged by the Agreement is tax concessions for the benefit of exporters. It would be necessary to define the types of tax concessions which should be outlawed. Meanwhile the statement issued by the Council recognizes that the repayment of certain indirect taxes on exported goods, in particular turnover taxes, need not be regarded as an artifical incentive of an objectionable kind. This means that it will remain lawful during the standstill period for Britain to raise Purchase Tax, thereby increasing the differentiation in favor of exported goods. In reality there is no need to anticipate such action. On the contrary, the chances are that there will be Purchase Tax reductions in the next budget.

The meeting unanimously decided to condemn the so-called "currency retention schemes" under which exporters are allowed to retain for their own use part of the foreign exchange proceeds of their exports. Such schemes had been in operation in a number of Continental countries and constitute a considerable incentive. Many exporters are only too willing to lower their prices for exports for the sake of being able to secure foreign exchange, whether for the purpose of spending it on imports for which they would not get exchange allocation in the ordinary way or for building up private hard currency reserves, or for selling the exchanges at a premium in the free market. The ban on such schemes is not watertight, however. The statement allows exception in favor of currency retention schemes which, as the Organization for European Economic Cooperation has acknowledged, aim exclusively at administrative simplification.

A much more difficult problem was to deal with incentives in the form of priorities in low-priced raw material allocations by the Government for the benefit of exporters. The Continental countries which practice currency retention schemes and tax concessions unknown in Britain criticize Britain on the ground that her exports are subsidized through the sale of raw materials at especially low prices by the Government. The Council agreed to the principle that subsidies for industrial raw materials used for manufacturing goods for export should be discontinued. There is a good deal left to be done, however, before an exact definition of the scope of this ban can be arrived at.

Another ground on which Britain is subject to criticism is the discrepancy between prices for British coal and steel according to whether buyers are in the United Kingdom or abroad. It is argued that the higher price paid by foreign buyers constitutes a subsidy to British exporters, who are thereby enabled to secure their coal and steel at unduly low prices. This practice has not been condemned, however, by the Council, the statement of which only objects to subsidies made at the cost of public funds. Nevertheless, the last word has not been said about this subject and it seems probable that during the forthcoming negotiations efforts will be made to define artificial export incentive schemes in a way so as to outlaw the system of dual prices for raw materials.

Although there is bound to be hard bargaining before a cut-and-dried text is arrived at, it is a welcome progress in the right direction that unanimous agreement has been reached on the "undesirability of a senseless race between countries for ever bigger incentives (concealed subsidies) which have the effect of subsidizing the customer with the result of increasing prices or taxation in the producing countries."

Forecast of Interest Rates in 1954

By J. ROSS OBORNE*

Nesbitt, Thomson and Company, Limited, Toronto, Ont.

Canadian analyst describes his method of approach in forecasting trend of interest rates, and lists the factors that influence the supply and the demand for capital funds. Foresees in 1954 no lessening in available supply of capital funds, but looks for a somewhat lower demand for this supply, thus tipping the scale in favor of lower interest rates. Predicts yield on Canadian Government's 3% Bonds, due 1966, will fall from the current 3.72% to 3.61% within a year.

The word usury is a harsh one and in ages past constant controversy existed as to whether it was right for a person to charge interest on a loan. Today we accept interest as a matter of course and yet volumes have been written holding the point of view that capital cannot produce a greater value than its own.

J. Ross Oborne

I do not intend to become involved in a theory of interest. In our economic system, interest affords us a legitimate reward for the use of our capital funds. There would be very little incentive to lend money if there was no interest to be earned. And without access to loanable capital funds, where would our economy stand today . . . and where would the investment field be!

There are many approaches to the problem of forecasting interest rates but there is no purely scientific approach that I know of. So many variable factors are involved and so many of the factors are incapable of measurement that I think it is fair to say that the forecasting of interest rates is more of an art than a science. If any one person could possess the ability to forecast interest rates with great accuracy over a period of time, I would say that such a person would have to carry the art to the point of genius. He would have to be an economic scientist as well as an expert in international affairs and in group psychology.

I am afraid that I do not have these qualifications. I have, however, arrived at a forecast of interest rates as I expect them to be a year hence. In so doing I have tried to apply a little science, and also a little art. I think that one applies a little science in making use of such measurable data as is available, and I think that one makes use of a little art in attempting to evaluate such additional information as is available in intangible or immeasurable form.

I would like to remind you of something that is already well known to you—that forecasting itself is a continuous operation, and the forecast made today in the light of what is known today, may have to be changed tomorrow in the light of any new knowledge that may become available.

Who knows, for example, what new developments may occur on the international scene and the effects of such developments on our western economies, and particularly on our defense programs. Who can tell what may happen to change the psychological attitude of buyers and sellers, and those who are responsible for economic decisions in many fields.

Last year just about this time a change was taking place in business sentiment. There was a gradual shift in the last few months of 1952 from a degree of pessimism to a degree of optimism regarding the outlook for 1953. Will there be a similar shift in the same months of this year? I for one do not think so, but who can tell at the present moment.

Before I give you my prediction I would like to deal briefly with my approach to the problem and to discuss some of the factors that I took into consideration in arriving at my estimate. My approach to the forecasting of interest rates is not a complex one, but it does involve taking into account many variable factors. I might describe my approach as being one that involves four main steps:

I think the most important step is to enumerate and attempt to evaluate all of the more important factors that will have a bearing on the amount of capital funds that will be available next year.

Sources of Capital Funds

The factors which seem to have the most influence on the supply of capital funds are:

Personal Savings: Deposits in U. S. savings banks in the first six months of 1953 had increased by 15% over the same period of last year. In Canada the increase was 7%.

Life Insurance Sales: Such sales in the U. S. increased by 19% over a like period of last year. In Canada the increase was 11%.

Savings in Savings and Loan Associations: In the U. S. an increase of 19% over a like period of last year has occurred.

Pension Funds: A marked growth of these funds in both countries is evidenced. Not only are the older established firms instituting such plans but as well new corporations have added greatly to this source of funds. Higher wages with consequent higher pension payments are of course an added factor.

Savings Bonds: Treasury Savings Bonds in the U. S. are more popular this year and sales have exceeded redemptions and those maturing by $172 million. The coming loan in Canada will unquestionably be the most successful Savings Bond ever issued.

Corporation Savings: In both countries corporations are financing much of their expansion from internal sources. Retained earnings are considerable and will be further influenced by decreased corporation taxes. Depreciation charges are providing considerable funds with many corporations charging the maximum allowed under tax regulations.

Inflow of Capital: The possibility of a lower value for the Canadian dollar as a result of decreased wheat shipments and other exports could greatly increase the flow of capital into Canada brought about by bond offerings in the U. S. A.

The Demand Factor

The second step is to enumerate and attempt to evaluate all of the factors which are likely to influence the demand for capital funds in the coming year, and here are some of the factors I have taken into consideration:

Corporation Demand: Business expansion has been going on at an accelerated rate for some considerable time and a tapering off is looked for. It is likely that the flood of such issues due to appear in the next few months in the U. S. A. will have greatly diminished by this time next year. In Canada we are already experiencing a drying up of corporate bond offerings.

State, City and Municipal Finance: The demand for added services in communities and the backlog of expansion delayed by the war is likely to continue. It is interesting perhaps to comment on this type of financing from the standpoint of the rate of interest. It seems evident that civic bodies are willing to borrow money at higher rates of interest than corporations without protest. The inference of course is that spending someone else's money comes easier than spending your own.

Government Demand: In Canada a balanced budget or nominal surplus seems to be in prospect. In the U. S. A. some funds will be required to offset the yearly deficit.

Mortgage Money: The demand will likely continue at a fairly high level but not likely as great as in 1953.

The third step is to make a careful study of general business conditions, and on the basis of such a study, to attempt to forecast the level of business activity for the period under review. Both short-term and long-term influences must be taken into consideration and references must be made to as many of the measurements of economic activity as are available. It is necessary to become acquainted with levels of incomes and expenditures, commodity price levels, the consumer credit problem, operating costs, the foreign trade situation, the Canadian dollar situation, levels of inventories, the influence of the U. S. economy on the Canadian economy, the rate of population increase, the rate of family formation, the trend towards decentralization of industry and population shifts, and many other phases of economic activity.

The fourth step is to formulate your prediction, based on conclusions that have been arrived at in carrying out the preceding three stages.

Factors Bearing on Interest Rates Next Year

I shall not go into detail on the research I have carried out, but will deal very briefly with what I feel are some of the significant factors I feel will have a bearing on the level of interest rates next year. First of all, I think that in 1954 we shall see a slightly lower level of general business activity both in the United States and Canada. After having arrived at this conclusion I was interested to see that a similar outlook was expressed by the Canadian Chamber of Commerce at their recent meeting at Edmonton.

There are some fairly good reasons for believing that business will be slower next year. We know that our productive capacity has caught up with demand — this has been evidenced in declining commodity prices since mid-1951 in Canada and since early 1951 in the United States. Inventory levels are high, although it may be argued that they are not dangerously high in relation to present sales. There is some evidence that capital expenditures will taper off slightly. Many of the larger expansion projects both in Canada and the U. S. are heading towards completion, and some over-expansion seems to exist in a few fields. There is also the fact that we have enjoyed record levels of activity in the past year, and that some portion of this activity, supported by substantial increases in credit, may have been borrowed from the future. There is expectation that farm incomes will be somewhat lower next year, and the foreign trade situation does not appear as bright as it might.

If these factors did not exist in Canada, there would still be the possibility that we might feel the effect of a minor recession in the United States, in spite of the fact that, during the 1949 recession, the United States continued to import from Canada many basic commodities that were still in short supply. With the present balance between the demand for and the supply of most commodities, the feeling is that a recession in the United States could have almost an immediate effect on the Canadian economy.

In both the United States and Canada, however, there are strong influences which are working towards increased economic expansion in the longer term, and these factors will tend to limit the seriousness of any downward pressures on the economy during the next year or so. There seems, after weighing all factors, no reasons for predicting any more than a moderate slow-down in activity during 1954.

Referring now to my Step No. 1, there do not seem to be any reasons for predicting a lessening in the supply of capital funds available next year. The latest figures for labor income in Canada show an increase of 10% over labor income last year. Even though personal consumption expenditures have also risen substantially, indications are that personal savings are also being maintained at a high rate. In Canada, savings deposits with the chartered banks have increased substantially during the last year. The same conditions exist in the United States. A rather spectacular increase has taken place in Life Insurance sales in Canada during the last few years.

In both the United States and Canada, business corporations have been financing much of their expansion from retained earnings and depreciation charges. There is nothing to indicate that funds from internal sources are being depleted. Corporation earnings have been maintained at fairly high levels, and most corporations are continuing to charge as much in the way of depreciation as the income tax laws will allow, in some cases taking advantage of special provisions in the tax laws. Anticipated decreased corporation income taxes in the United States and possibly in Canada may tend to offset any decline in internal funds that may result from any reduced earnings.

The possibility of a lower value for the Canadian dollar could increase the flow of capital into Canada.

So much for the possible **supply** of capital funds. Insofar as the possible **demand** for capital funds is concerned, I predict that there will be a somewhat lower demand for capital funds next year than we have had this year. Indications are that there will be some tapering off in the rate of business expansion next year. As previously mentioned it is likely that the flood of new corporate issues due to appear in the next months in the U. S. A. will have greatly diminished by this time next year. In Canada we are already experiencing some drying up of corporate bond offerings.

It is not likely that the Canadian Government will be operating with a budgetary deficit in the next year, and there should be no demand for capital funds from this source. In the United States, also, the Government is placing stress on the importance of balancing the Federal budget.

Provincial governments and municipalities in Canada, and state, city and municipal governments in the United States, are still in need of many additional services and will continue to support a fairly strong demand for capital funds. Limitations to the extent of such borrowing, however, are likely to hinge upon the ability of the governmental bodies concerned to carry the debt involved.

There has been a fairly strong demand for mortgage money this year. It is likely that this demand will continue into the next year, but not on as high a level. It is anticipated that activity in both residential and commercial construction will be somewhat lower next year than this year.

Now, to summarize, I do not predict any lessening in the supply of capital funds available next year. In fact there could be a net increase in funds, especially if the Canadian dollar should drop in value. On the other hand, I predict that there will be next year, a somewhat lower demand for capital funds than we have had this year. In other words, I believe that the balance between the demand for and the supply of capital funds next year will be tipped slightly in favor of lower interest rates. I do not feel that the change will be a very great one. To express this in terms of a common yardstick, it is my prediction that the Canada 3%, 1966 bonds, which presently yield 3.72%, will sell to yield 3.61% one year from now.

*An address by Mr. Oborne before the Security Analysts Association of Toronto, Toronto, Ont., Sept. 23, 1953.

Biddle, Whelen Partners Join Yarnall And W. H. Newbold

PHILADELPHIA, Pa.—Effective Jan. 1, the firm name of Biddle, Whelen & Co. will be dissolved. James D. Winsor, Jr. and James D. Winsor, III, will become associated with Yarnall & Co., 1528 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, and the latter firm's name will be changed to Yarnall, Biddle & Co. Benjamin Rush, Jr., will withdraw as a limited partner in Yarnall & Co.

John Strawbridge will become a limited partner and Arthur S. Burgess a general partner in W. H. Newbold's Son & Co., 1517 Locust Street, members of the New York and Philadelphia-Baltimore Stock Exchanges. Bernard Samuel, former Mayor of the City of Philadelphia, and Edwin E. Hoffman, now registered representatives for Biddle, Whelen & Co., will also become associated with W. H. Newbold's Son & Co.

Alfred A. Biddle will retire.

With J. C. Bradford

J. C. Bradford & Co., 44 Wall Street, New York City, members of New York Stock Exchange, announce that John K. Voorhis is now associated with the firm as a registered representative. Mr. Voorhis formerly was associated with Phelps, Fenn & Co.

Cobb & Co. Formed

HOUSTON, Tex. — Robert S. Cobb has formed Cobb and Company with offices in the Melrose Building to engage in the securities business. He was formerly with B. V. Christie & Co.

George Murfitt Opens

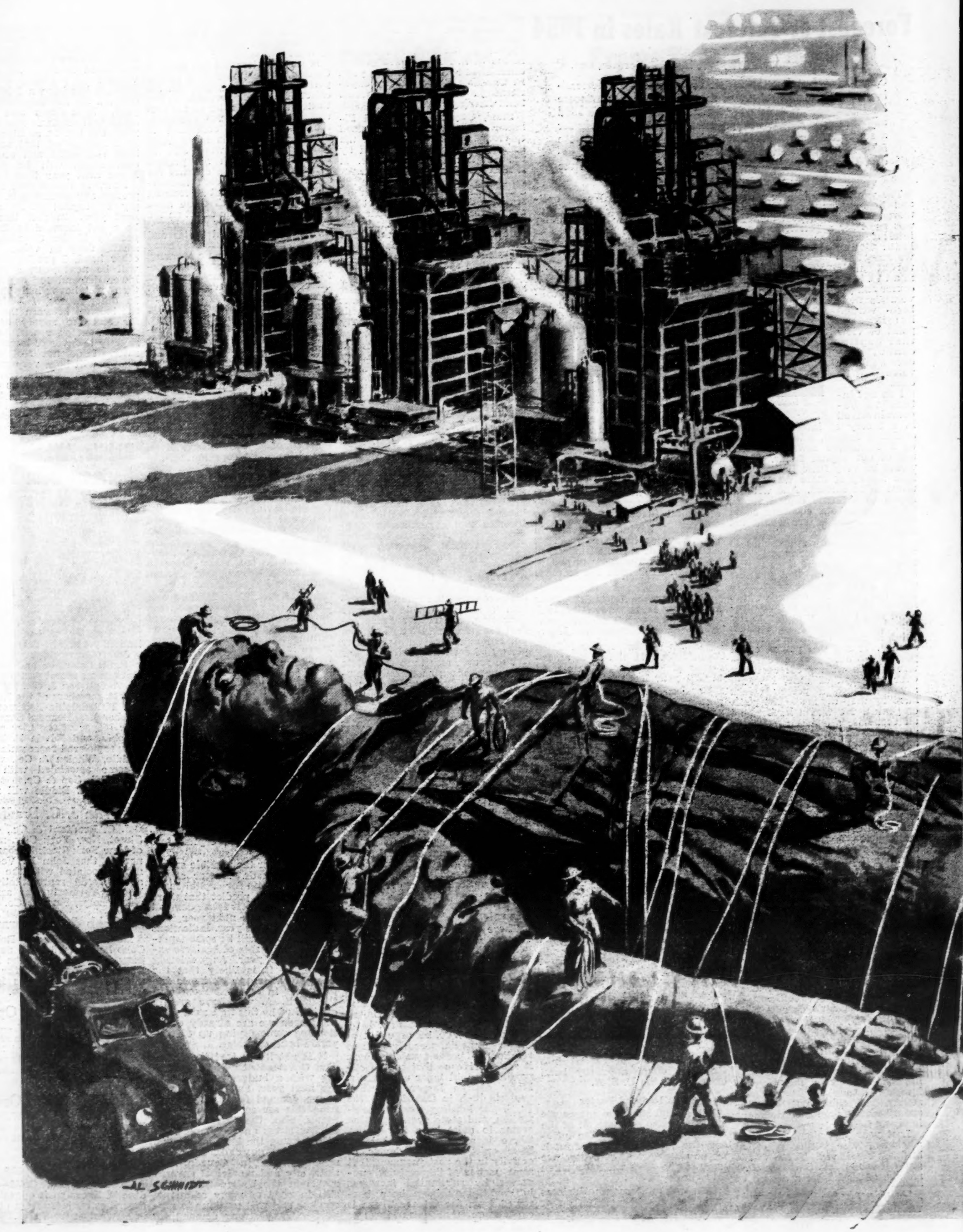
COBLESKILL, N. Y. — George Murfitt is engaging in a securities business from offices at 21 Main Street. He was formerly with Edward A. Purcell & Co. and W. T. Bonn & Co.

Wm. H. Davis Opens

NEWARK, N. J. — William H. Davis is engaging in the securities business from offices at 24 Commerce Street.

Opens Offices

SACRAMENTO, Calif.—Bernadine B. Everman is engaging in a securities business from offices at 906 Twenty-first Street.


AL SCHMIDT

How Significant Are Reported Changes in Liquid Savings?

By HUGH P. KING

Mr. King reports results of a survey of various statistical measurements of trends in liquid savings. Says it is always essential to distinguish between real saving and nominal saving, and notes methods of "deflating" figures to offset lower value of the dollar.

In recent years, the Federal Home Loan Bank Board has been publishing, regularly, estimates of the total volume of liquid savings in the hands of the American public. These estimates* show that, in the period 1940 to 1950 inclusive, total liquid savings on hand increased in every year except 1941, 1946, and 1947, but that the years when savings were accumulated to an extent far exceeding normal were 1943, 1944, and 1945—years in which we were engaged in a war so expensive that it absorbed something like half of our national income. On the basis of these figures, represented by the graph in Chart 2, it therefore appears that, the more we spend, the more we save. Does this conclusion seem reasonable?

Hugh P. King

These estimates also show that in 1946, the total volume of liquid savings fell off sharply. This slump is usually supposed to indicate that, after the War, individuals generally spent freely what they had accumulated in the war years. Did this really happen?

Both economists and businessmen have been inclined to attach great importance to these reported changes in savings volume. It is generally assumed that every increase in this volume indicates growth in thrift among the population at large, and that every decrease reveals an intensification of the urge to spend. Are these assumptions valid?

Any careful analyst who studies these reports of the Federal Home Loan Bank Board is likely to be impressed by the fact that their published figures purporting to show the extent of saving or dissaving in the respective years take no account of the fact that, during the decade covered, the value of the dollar was halved. Does this fact lessen materially the significance of their figures? If it does, is it not a simple matter to correct the reported figures on saving or dissaving for the respective years by dividing them by an appropriate set of index numbers representing changes in the general price level?

Perhaps consideration of a few illustrative examples may help us to arrive at very definite answers to the above queries. Take, for instance, the case of the very thrifty Russian peasant who, during the period of runaway inflation in that country, laid aside out of his meager income many paper rubles. Having no faith in banks, he stuffed all of his savings into his hair mattress—removing hair little by little and replacing it with rubles. As the ruble was inflated, he was able to put away each night, greater and greater amounts of cash, until finally, his mattress was completely full of rubles. About this time the Revolutionaries came along requisitioning mattresses for the army. When they came to confiscate the old man's mattress, he was beside himself with anguish. He begged and pleaded with the sergeant in charge to spare his mattress, and he pleaded so eloquently that the sergeant became suspicious and ordered one of his men to run a bayonet through the mattress. The paper rubles were revealed! "Well," laughed the sergeant, "if you had had a good hair mattress, the government would have paid you its full value, but this is practically worthless, being only stuffed with old paper!" Nevertheless, he took it along, and left the old peasant to this tears.

Fortunately, nothing like this has happened in the United States. But, as noted, ever here, since 1939, inflation has halved the value of our dollars. Let us see how this upset the calculations of certain people.

It was December in the year 1950. Robert Johnson was elated. He had just sold his home for $11,500—$4,500 more than he had paid for it just 11 years earlier. He calculated that, even allowing for the doubling in the price level which had occurred, he still had cleared a nice $2,250. His sudden decision to sell had been prompted by a promotion and transfer to one of the branch offices of his company in an outlying suburb. Although the suburb was about the same as the one he had been living in, it was in the opposite direction from the center of town, so it seemed expedient to move. Mr. Johnson felt quite elated about his shrewd deal, but he was most disagreeably surprised when he found that, in the section of town in which he had decided to settle, the prices of houses of approximately the same quality and size as the one he had just sold, were selling for about $14,000. So to secure a new home he had to borrow $2,500. He couldn't understand why, after making a profit, he had to borrow to be housed as well as before. But the exact nature of the error eluded him.

Mr. Johnson's confusion was not at all unique. Many businessmen were fooled by the same kind of arithmetic that Johnson used. They too, calculated their **real** profits by deflating the increments of selling prices over buying prices. To do this they divided their money profits by an appropriate index. But they found that, for some reason, their financial situations grew constantly worse.

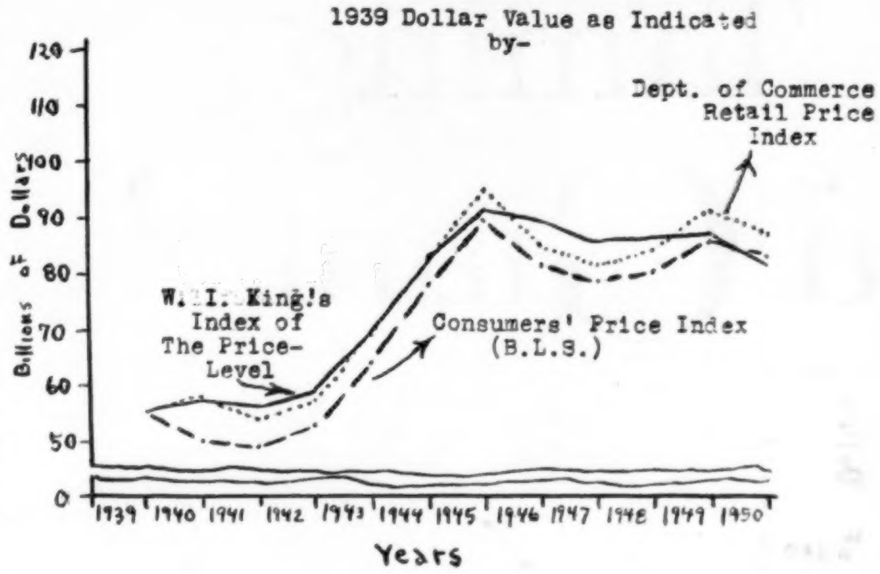
Let us also consider the case of John Randall—a thrifty man. In 1939, Mr. Randall had a nice balance in the bank, and by diligently adding to it each week, he gradually accumulated a sizable sum for the proverbial "rainy day." In fact, Randall worked so hard and saved so diligently, that, by the end of 1950, he nad exactly doubled the sum he had in the bank on Dec. 31, 1939. Like Robert Johnson, he felt that this was quite an accomplishment — his savings multiplied by two in a little over a decade! Of course, he too, knew that the price level had doubled, but when the increment was divided by two, he still appeared to have gained 50% over his 1939 balance. He felt that he had made great progress despite inflation. Was that conclusion justified?

The truth is that Randall, like Johnson, was being fooled by using an erroneous method of deflating. Where did Randall go astray? The answer is that, in calculating his savings for the period, Randall should have divided by two **the total amount he had in the bank on Dec. 31, 1950**—instead of dividing only the increment. Then his calculation would have correctly shown his savings to be zero. Actually, therefore, Randall was no better off in December of 1950, than he had been in December of 1939. With all his diligence and parsimony, he had managed to barely hold his own in the race against inflation, for, in terms of purchasing power, his total balance at the bank was worth only the same as it had been in December of 1939.

Similarly, if Johnson, in setting the selling price of his house, had correctly made allowances for the change in the price level, he would have multiplied the price he paid in December of 1939, by two, in order to find the equivalent value of the house in December of 1950.

But Johnson and Randall are not to be too severely condemned for their failure to understand the mechanics of adjusting data for changes in price levels. Government statisticians too, have fallen into the same errors that trapped Randall and Johnson. For example: the figures published by the United States Home Loan Bank Board purport to show **the annual increment** in savings invested in such things as savings and loan associations, life insurance companies, mutual savings banks, commercial banks, postal savings, and U. S. Savings Bonds. (See the "Statistical Abstract of the United States" for 1952, p. 406.) But how have these figures been obtained? Believe it or not—by measuring yearly increments in nominal unadjusted dollars! And increments so computed certainly do not measure saving!

It is always essential to distinguish between **real** saving and



Source: Table I, Cols. D, E, + F

*See the *Statistical Abstract of the United States, 1953*, p. 406.

Table II

The Home Loan Bank Board's Estimate of Current Dollar Liquid Savings Compared With Liquid Savings in Terms of 1939 Dollars as Correctly Calculated From Their Data and With the Increase in Circulating Medium

Dec. 31—	A H.L.B.B. Estimate of Liquid Savings Invested in Selected Media (Millions of $)*	B Relative Investment in Selected Media (Base 1939)	C Willford I. King's Index of the General Price Level (Base Dec. 31,'39)†	D Deflated H.L.B.B. Est. of Liquid Savings Invested in Selected Media A ÷ B (Mill. of Dec. 31,'39 $)	E Relative Investment in Selected Media After Deflation (Base 1939)	Year—	F Aggregate Circulating Medium (†) (Millions of $)	G Relatives (†) (Base 1939)
1939	55,703	100	100	55,700	100	1939	34,759	100.0
1940	59,148	106	103	57,400	103	1940	40,172	115.6
1941	64,079	115	114	56,300	101	1941	46,924	135.0
1942	75,080	133	127	59,100	106	1942	55,742	160.4
1943	94,004	169	135	69,600	125	1943	73,126	210.4
1944	116,326	209	141	82,500	148	1944	84,657	243.6
1945	136,048	244	149	91,400	134	1945	97,050	279.2
1946	147,600	264	165	89,200	160	1946	108,018	310.8
1947	155,734	279	181	86,000	154	1947	112,306	323.1
1948	162,700	292	188	86,500	155	1948	112,734	324.3
1949	169,718	304	194	87,400	157	1949	111,458	320.7
1950	175,445	315	215	81,600	146	1950	114,439	229.3
						1951: Jan.	119,331	343.3
						June	117,162	337.1

*Statistical Abstract of the United States, 1952, p. 406—for years 1939-41 and 1944-50. Statistical Abstract of the United States, 1949, p. 444—for years 1942 and 1943. †Willford I. King, "Just Why Has Our Price Level Risen for a Decade?"—Committee for Constitutional Government, 1951.

Table I

A Comparison of the Relative Fluctuations Induced in the H. L. B. B. Savings Series by Using as Deflators Three Major Price Indexes

Dec. 31—	A Dept. of Commerce Retail Price Index (Averages of Dec. & Jan.)*	B Dept of Labor Consumer's Price Index (Avgs. of Dec. & Jan.)*	C Willford I. King's Index of the Genl. Price Level (Base 1939)†	D Dept. of Commerce Retail Price Index (Base Dec.31,'39)	E Dept. of Labor Consumers' Price Index (Base Dec. 31,'39)	F Willford I. King's Index of the Genl. Price Level (Base Dec. 31,'39)	G H.L.B.B. Estimates of Total Savings in Selected Media (Millions of $)	H Column G Deflated by Column D, G ÷ D (Millions of 1939 $)	I Column G Deflated By Column E G ÷ E (Millions of 1939 $)	J Column G Deflated By Column F G ÷ F (Millions of 1939 $)
1939	99.8	85.4	99	100	100	100	55,703	55,700	55,700	55,700
1940	101.7	100.8	102	102	118	103	59,148	58,000	50,100	57,400
1941	117.5	111.3	113	118	130	114	64,079	54,400	49,300	56,300
1942	129.8	120.6	126	130	141	127	75,080	57,800	53,300	59,100
1943	135.5	124.3	134	136	146	135	94,004	69,100	64,400	69,600
1944	139.7	127.1	140	140	149	141	116,326	83,100	78,100	82,500
1945	143.1	129.9	148	143	152	149	136,048	95,100	89,500	91,400
1946	172.7	153.5	163	173	180	165	147,100	85,100	82,000	89,200
1947	189.9	168.4	179	190	197	181	155,734	82,000	79,000	86,000
1948	192.0	172.0	186	192	201	188	162,700	84,800	80,900	86,500
1949	184.1	168.5	192	185	197	194	169,718	91,600	86,100	87,400
1950	200.4	180.2	213	201	211	215	175,445	87,300	83,100	81,600

*Survey of Current Business. †Willford I. King, "Just Why Has Our Price Level Risen for a Decade?"—Committee for Constitutional Government, 1951.

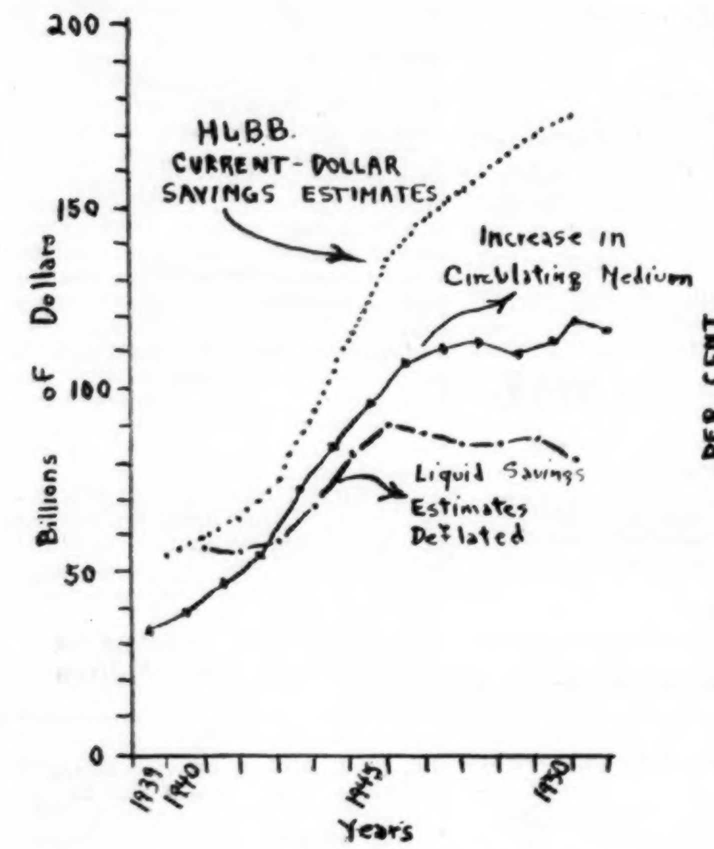
nominal saving—that is whether we are counting merely dollars or considering their purchasing power. During a period of inflation, nominal saving has relatively little meaning. But it may have significance in a period when the dollar is stable in its purchasing power. Real saving, on the other hand, is always important, for it determines whether or not the individual or Nation is enjoying increase or suffering a decrease in real wealth.

The H.L.B.B. figures purport to show what has happened to the following types of **liquid** savings —Savings Accounts in Savings and Loan Associations, Savings Banks, and Deposits in Commercial Banks, etc. They are in terms of dollars current in the various years, and have not been adjusted to allow for changes in the value of the dollar. What do they indicate about the comparative volume of saving in the various years? Their estimates appearing in the "Statistical Abstract of the United States" for 1952, (p. 406), and shown in Table II, indicate that from 1939 to 1950 there was a tremendous increase in savings invested in these media. (See Chart 2—graph entitled: "H.L.B.-B. Current-Dollar Savings Estimates".) But it will be observed that the reported increase closely parallels the increase in circulating medium which occurred during the same period. So the failure to take account of the changes in the value of the dollar make this statistical series, as they are published, almost worthless for purposes of comparison.

However, the H.L.B.B. figures may be turned into a useful measure by deflating them properly. An attempt at such deflation has been made, and the results are shown in Chart 2. (Graph entitled: "Liquid Savings Estimates Deflated.") In order to be on the safe side, three different price indexes were used to deflate the Home Loan Bank Board data, namely the Department of Commerce Retail Price Index, the Department of Labor's Consumers' Price Index, and Willford I. King's Index of the General Price-Level. It will be observed that it makes no great difference which index is used as a deflator —all give roughly the same results. (See Chart 1) Observe how totally different the deflated savings curve is from the graph showing savings before deflation. (Chart 2) It should now be apparent that any conclusions based on the undeflated H.L.B.B. data would be grossly misleading. One might even ask why the Home Loan Bank Board ever published data in a form which can be so misleading. Liquid savings, when correctly reduced to terms of constant dollars, show little resemblance to the data before deflation. Chart 3 shows the relationship between the **relative** increase in circulating medium and the H.L.-B.B. undeflated data even more clearly. Note how the H.L.B.B. undeflated savings curve closely parallels the curve showing the increase in circulating medium. Chart 3 shows clearly that the H.L.B.B. Current-Dollar Savings Estimates are primarily a measure of the increase in circulating medium which occurred as the currency was inflated.

Chart 2

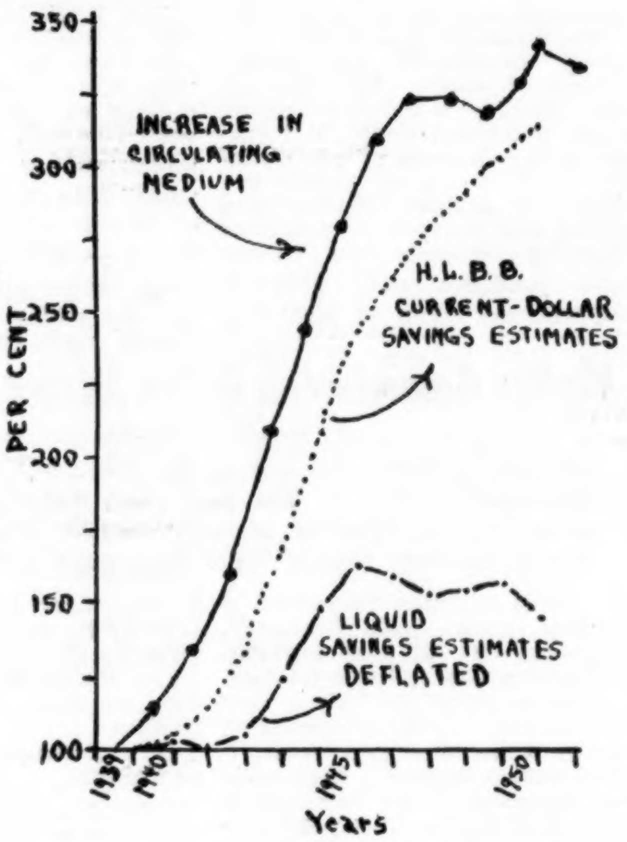
ACTUAL DOLLAR VALUES



Source: Table II, Cols. A, D + F

Chart 3

RELATIVES



Source: Table II, Cols. H, I, J

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

With only two months remaining in 1953, the question arises as to how insurance stocks have been acting in the market so far this year.

As with the general market for equities, generalizations about the market in terms of the averages obscures movements of individual issues and groups. Actually there have been many cross currents in the market this year with more than the usual amount of selectivity apparent. While the so-called averages are supposed to be representative of the market as a whole, the small changes which have occurred do not give a true picture of what has been happening to individual groups or stocks within those groups.

Concerning the stock market, the Dow-Jones Industrial Average on Dec. 31, 1952 was at 291.90. At the end of October it was 275.81 or a decline in the ten months of 16.09 points equal to about 5.5%. Few of the major groups conform to this pattern.

Such industries as automobiles, building, chemicals, copper, zinc, lead, farm equipment, oil, rubber, textiles and steel show declines for the period approaching or exceeding 10%. In individual issues the range is substantially wider.

On the other hand a number of groups actually are higher now than at the beginning of the year. These include among others, aircraft manufacturing, grocery chains, liquor, retail merchandise and tobacco. The gains have not been large but the improvement in the face of a decline in the general market is impressive.

Against this background it is interesting to review the action of insurance shares. "Barron's" insurance group average on Dec. 31, 1952 was 186.81. On Oct. 29, 1953 it stood at 187.25 or a small gain of 0.44 point. Obviously the insurance stocks as indicated by this measurement have acted much better than the stock market and considerably better than some of the more important industrial groups.

However, as was stated earlier the average obscures the action of individual shares. In view of this it is interesting to look at the market changes in the leading insurance shares so far this year.

	Bid Price 10-30-53	Bid Price 12-31-52	Point Change	1953 Price Range High	1953 Price Range Low
Aetna Fire	54¼	64½	—10¼	64	50¾
Agricultural Insurance	30½	36½	— 6	36⅝	27
American Insurance	24⅜	26¼	— 1⅞	26¼	22¾
American Surety	57	59½	— 2½	64¼	53¼
Boston Insurance	33	38½	— 5½	39	31¼
Continental Casualty	96½	82½	+14	96½	72¾
Continental Insurance	70	79½	— 9½	82½	67
Employers Group	48	54½	— 6½	54¾	45½
Fidelity-Phenix	71½	83½	—12	86½	67¾
Fire Association of Phila.	70	71¾	— 1¾	72¼	61¾
Fireman's Fund	61	60½	+ ½	62	52
Firemen's (Newark)	24⅝	27¾	— 3⅛	28⅛	23⅝
Glens Falls Insurance	53	60¼	— 4¼	63¼	55¼
Great American	40¾	41½	— ¾	41½	34
Hanover Fire	38¼	42	— 3¾	42	35½
Hartford Fire	164	170	— 6	169½	148
Home Insurance	39½	42½	— 3	42¼	36¾
Insur. Co. of No. America	85½	92¼	— 6¾	98	79¼
New Hampshire	44¾	47½	— 2¾	50	41¾
Phoenix Insurance	92½	103	—10½	108	89
St. Paul Fire & Marine	33	34¼	— 1¼	34	28½
Security Insurance	34½	39¼	— 4¾	41½	31½
Springfield Fire & Marine	48¾	52¼	— 3½	53½	43¼
United States Fire	38¾	47	— 8¼	47	35¾
Westchester Fire	25½	26	— ½	25¾	21

As can be seen from the foregoing only two of the stocks listed above, Continental Casualty and Fireman's Fund of San Francisco, have shown gains for the year in spite of the gain in the overall average. Some of the other issues are only slightly below the prices listed at the beginning of the year but with the two exceptions all show declines.

While no detailed analysis of the composition of the "Average" has been made, it seems obvious that some particular issue such as Continental Casualty, which has had a large gain, has been the dominant factor, accounting for the performance of the insurance average.

Even allowing for this, however, the action of insurance stocks as a group, considering the general market and the action of individual issues, has been relatively favorable.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Betty Waldman retired from partnership in Shaskan & Co. Nov. 1.

Robert D. Cavanaugh withdrew from partnership in J. R. Williston, Bruce & Co. Oct. 31.

Anita Coleman will be admitted to limited partnership in Coleman, Fagan & Co. Nov. 13.

Forms C. J. Nephler Co.

PONTIAC, Mich.—C. J. Nephler Co. has been formed with offices in the Community National Bank Building. Officers are C. J. Nephler, Jr., President; M. E. Nephler, Vice-President, and F. B. Nephler, Secretary. Mr. Nephler was formerly proprietor of W. H. Protiva Company.

Now Clower Bros. Co.

CORPUS CHRISTI, Tex. — The firm name of George Clower Company, Wilson Tower, has been changed to Clower Brothers Co.

Let's Have That Record!

"I don't mean to say that we [Congress] haven't done anything in the first session, but we haven't done anything we can sell to the people and get votes. We have got to make a record next year. I don't think we've got a right to win if we don't."

"The people want to give him [President Eisenhower] a chance, but it's a very difficult job to translate the popularity of the President into votes for Tom Smith, Republican candidate for Congress. The people don't understand that the President must have control of Congress to back up his program. They have got to be shown that control is vital to carrying out his policies."—Representative Richard M. Simpson.

Mr. Simpson is, of course, quite right in thinking that Congress has to "make a record" next year—or else.

But neither popularity nor salability is the final or only test—not for thoughtful citizens, anyway.

With Carl Loeb, Rhoades

Carl M. Loeb, Rhoades & Co. 40 Wall Street, New York City, members of the New York Stock Exchange, announce that Arne Fuglestad has become associated with the firm.

New Dempsey-Tegeler Branch Opened in Calif.

FULLERTON, Calif.—Dempsey-Tegeler & Co. of St. Louis have opened a branch office at Sunny Hills Ranch, Fullerton Road and Valencia Mesa, under the management of James H. Walraven.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Appointment of A. Frederick Keuthen as Vice-President in charge of the Corporate Trust Department of **Manufacturers Trust Company, New York,** was announced on Oct. 30, by Horace C. Flanigan, President. Mr. Keuthen had formerly been a Trust Officer and will succeed Frederick E. Lober, also a Vice-President, who is retiring on Oct. 30, 1953.

Two other appointments in the Corporate Trust Department were also announced. Edward S. Travers, has been appointed Vice-President in charge of the Stock Transfer Division. Mr. Travers joined the Chatham Phenix National Bank in 1927 and came to Manufacturers Trust at the time of the merger of that bank in 1932.

William G. Battenfeld has been appointed an Assistant Trust Officer in charge of Operations of the Corporate Trust Division. Mr. Battenfeld came to the bank in 1934, and has always been associated with the Corporate Trust Department.

* * *

Irving Trust Company, New York, on Nov. 15 announced the election of Herbert E. Smith to its Board of Directors. Formerly Chairman of the board and Chief Executive Officer of the United States Rubber Company, Mr. Smith is a Director and member of the finance committees of both U. S. Rubber and United States Steel Corporation.

* * *

Lawrence C. Marshall, President of the **Bank of Manhattan Company, New York,** has announced that Lewis G. Ensinger, who is connected with the Foreign Department of the bank, has been appointed an Assistant Treasurer.

Mr. Ensinger joined the bank in 1947.

* * *

Arthur S. Kleeman, President of **Colonial Trust Company, New York City, announced** that the bank's Directors today voted to add $100,000 to surplus, by a transfer of that amount from the institution's undivided profits.

Mr. Kleeman, also announced the enlargement of the official staff of the Trust Department of the bank through the election of Mr. Christopher F. Mayer, formerly an Assistant Vice-President, as an additional Vice-President and Trust Officer.

* * *

Commercial State Bank and Trust Company of New York has elected to its Board of Directors, Dr. Alvin C. Eurich, Vice-President and Director of the Fund for the Advancement of Education of the Ford Foundation. He is also a Trustee of the Penn Mutual Life Insurance Company and the Town Hall.

* * *

Sylvester J. Balassi, Vice-President of **The County Trust Company in White Plains, completed 25 years of service on Nov. 2.** He started his banking career as a messenger, and prior to coming with the County Trust organization had been with The National Bank of Commerce; now The Guarantee Trust Company, in New York for 10 years.

* * *

Mr. Ralph T. Tyner, Jr., President of the **New Rochelle Trust Company, New Rochelle, N. Y.,** and Mr. Oliver W. Birckhead, **President of The Peoples National Bank & Trust Company of White Plains, announce** the results of the special stockholders' meetings of both banks held today as follows:

Approval by a substantial majority vote of stockholders of both banks of the Plan and Agreement of Merger of The Peoples National Bank & Trust Company of White Plains, N. Y., into the New Rochelle Trust Company, New Rochelle, N. Y., which as of Nov. 2, 1953, will open for business as **The Westchester Bank & Trust Company,** with eight offices in New Rochelle, White Plains and Valhalla, N. Y.

Mr. Oliver W. Birckhead will be Chairman of the Board and Mr. Ralph T. Tyner, Jr. will be President of The Westchester Bank & Trust Company.

A previous item of the merger appeared in the Oct. 1, 1953 issue of the "Chronicle" page 1258.

* * *

Stockholders of the **Morristown Trust Company, Morristown, N. J.,** approved at a special meeting on Oct. 29, a proposal to increase the bank's capital stock by $40,000 through payment of a December dividend in stock.

More than 80% of the Trust Company's 44,000 shares were voted in person or by proxy in favor of the proposal by the board of directors. This would increase the bank's capital stock account from $880,000 to $920,000 by the transfer of $40,000 from undivided profits to pay for the additional 2,000 shares of $20-par-value stock.

Subject to the approval of State banking authority, these shares would be paid to the bank's 670 stockholders as a stock dividend in the ratio of one share for each 22 shares now held. Directors are expected to act on this dividend at their next regular meeting, on Nov. 13.

George Munsick, the bank's President, said that each of the bank's stockholders will be notified of the number of any full shares and the amount of any fractional interest to which he will be entitled by reason of the proposed dividend. Arrangements are being by the Trust Company for the purchase or sale of fractional interests without brokerage cost to the stockholder.

* * *

Beaver Trust Company, Beaver, Pa., a State member of the Federal Reserve System, and **Rochester Deposit Bank, Rochester, Pa.,** an insured nonmember, merged on Oct. 13, under the charter and title of **Beaver Trust Company.**

* * *

The Board of Directors of the **Federal Reserve Bank of St. Louis** has appointed Darryl R. Francis a Vice-President of the bank, effective Nov. 1, 1953. Mr. Francis will serve in the St. Louis office until the end of this year, after which time he will become Manager of the Memphis Branch of the Federal Reserve Bank of St. Louis, succeeding Paul E. Schroeder, who has resigned, effective Dec. 31, 1953.

* * *

The Commercial National Bank of Charlotte, N. C. increased its its common capital stock from $750,000 to $1,000,000 by the sale of new stock effective Oct. 19.

Warns of Depleting Raw Materials

C. W. Dow, Senior Vice-President of Equitable Life Assurance Society, says mounting consumption of non-replaceable minerals and other materials is a growing threat to our industrial expansion and national security.

The mounting depletion of our raw materials is alerting life insurance companies into meeting this growing threat to the industrial expansion and national security of the United States, C. W. Dow, Senior Vice President of The Equitable Life Assurance Society of the United States, declared in a statement issued on Oct. 22nd.

C. W. Dow

"The American nation, comprising slightly over 6% of the world's population and 5% of the world's land area, produces 40% of the world's goods, and in so doing consumes each year 50% of the world's mineral output and 70% of the world's oil production," Mr. Dow said. "This accelerating drain of our unrenewable resources," he continued, "has converted us from a nation rich in raw materials to a nation completely dependent on foreign sources of supply for minerals vital, not only to the maintenance of our industrial might, but crucial to the defense of our country."

The Equitable spokesman pointed out that of 38 principal industrial minerals, the United States produces only nine in quantities sufficient to meet our needs. "We are the world's largest importer of copper, lead and zinc, whereas we were once great exporters of these metals," he declared. "Oil and iron ore, regarded for a long time as the touchstones of our self-sufficiency, are being imported in growing quantities to meet our wants. For more than a century we supplied the world with lumber which now we import. The life insurance companies of America, aware that the keystone of our economy and defense is a continuing supply of raw materials, are devoting their energies and resources to the development of new sources of minerals, metals and oil."

Mr. Dow, who supervises all of Equitable's investments, cited as an example, the recently inaugurated $250 million mining project of the Iron Ore Company of Canada. Six major insurance companies, including The Equitable, are participating in this project which will tap the last large undeveloped iron ore reserve known to exist in North America.

The Equitable will continue to play a leading role in these vital activities, Mr. Dow emphasized. "The almost three-quarter billion dollars of Equitable money invested in oil, steel, non-ferrous metal, rubber, coal and coke, is working to continue our standard of living — the highest in the world — and is building a bulwark against any possible aggressor," he said.

Higher Commission Rates Adopted by NYSE

By vote of 639 to 530 of the Exchange's membership, the new schedule of rates, approved by the Board of Governors goes into effect on Nov. 9. Test finds rates will average a shade under 1% of value of securities traded. Exchange's nine months earnings slightly lower than same period last year.

G. Keith Funston, President of the New York Stock Exchange, announced Oct. 29 that the Exchange membership has approved, by a vote of 639 to 530, a new schedule of higher commission rates effective Monday, Nov. 9.

The new schedule — first revision in commission rates since November, 1947 — is expected to produce an average increase in customer commission revenues of 18%.

An innovation in the new schedule provides that, when a purchase and a sale of the same security for one account are completed within 30 days, the rate on the sell side of the transaction is cut to 50% of the regular commission plus $2.50 if a round lot or $1.50 if an odd lot.

"Since commissions were last adjusted six years ago," Mr. Funston said, "operating costs of member firms have risen more than 30%. That figure reflects the rise in such basic expenses as office space, communications facilities and salaries. It does not include today's higher costs for research and statistical information supplied investors.

"To measure the impact of the new rates, we applied them recently to share turnover on the Exchange for a full week. We found that under the new rates the average commission on transactions in that period was a shade under 1% of the value of the securities traded."

For each 100 shares or odd lot, the new rates call for:

1% on first $2,000 of money involved; plus ½% on next $3,000 of money involved; plus 1/10% on money involved above $5,000; plus $5 for a round lot, or plus $3 for an odd lot.

Some examples of the new commissions follow:

(1) Purchase of 100 shares at $40 per share — Money amount $4,000.

New commission, $35, computed as follows:

First $2,000— 1%	$20
Next $2,000—½%	10
Plus	*5
New commission	$35

*Round lot charge.

The present commission is $30. The new rate represents an increase of $5, or 16.7%.

(2) Purchase of 50 shares at $30 per share—Money amount $1,500.

New commission $18, computed as follows:

First $1,500 1%	$15
Plus	*3
New commission	$18

*Odd lot charge is $2 less than $5 round lot.

Present commission is $15.75. The new commission represents an increase of $2.25, or 14.3%.

Some examples of the special "round turn" rate follow:

(1) Sale of 100 shares at $40 per share within 30 days after the same security was purchased by the same firm for same account:

Special liquidating commission $20, computed as follows:

Regular commission	$35.00
½ regular commission	17.50
Plus	*2.50
Liquidating commission	$20.00

*For round lot.

Present commission on sale of 100 shares selling at $40 is $30. New commission represents a reduction on the sell side of 33%.

(2) Sale of 50 shares at $30 per share within 30 days after the same security was purchased by the same firm for the same account:

Special liquidating commission $10.50, computed as follows:

Regular commission	$18.00
½ regular commission	9.00
Plus	*1.50
Liquidating commission	$10.50

*For odd lot.

Present commission on sale of 50 shares selling at $30 is $15.75. New commission represents a reduction on the sell side of 33%.

When the amount involved in a transaction is $100 or more, the minimum commission will not exceed $1 per share or $50 per 100-share or odd lot transaction.

There is no change in the present $6 minimum commission per transaction.

Exchange's Earnings Slightly Off

In a notice to members, Keith Funston, the President of the New York Stock Exchange, reported that the Exchange earned a net profit after taxes of $197,463 in the first nine months, compared with $218,470 for the corresponding 1952 period. While gross income improved to $7,845,438 from $6,967,407, expenses before taxes rose to $6,969,430 from $6,066,081.

The increases in both income and expenses over last year reflected, primarily, assumption by the Exchange in Aug., 1952, of the direct operation of our nationwide ticker system. Payments for ticker quotation service, formerly made to the Western Union Telegraph Co. by subscribers, now come to the Exchange; while the Exchange, in turn, leases the facilities from Western Union. This operation has proved to be entirely successful.

Although listing fees of $1,653,244 in the first nine months of 1953 were approximately $110,000 less than in the corresponding period of last year, we anticipate that the total for the full year will again exceed $2,000,000.

Provision of $352,400 for contingencies reflects anticipated reductions in various income items during the final three months of the year and probable yearend expenses. Our purpose in giving expression to these contingencies in our interim statements, which has not been done in the past, is to provide a more informative picture of Exchange operations. The 1952 figures have been adjusted to a comparable basis and show a provision of $262,700 for similar contingencies for the first nine months of last year.

"Financial Follies" Over-Subscribed

Many leaders in industry, finance, Government and the armed services will attend the twelfth annual dinner and show of the New York Financial Writers' Association, S. Richard Brown, Association President, announced. Mr. Brown said the "Financial Follies of 1953" is already oversubscribed.

Among those who have accepted invitations are General Omar N. Bradley, John L. Lewis, Judge Harold R. Medina, Thomas McCabe, William McChesney Martin, G. Keith Funston, Eugene R. Black, Allen Sproul, Edward McCormick, Admiral William F. Halsey and W. Randolph Burgess. The show, an annual lampoon on economic events throughout the country, will be held in the Hotel Astor on Friday evening, Nov. 20.

Continued from page 10

The Future of Coal

to market by rail. Even though coal is the largest bulk freight item moved by railroads and is one of the most profitable items handled, rail rates on coal have been advanced continuously during the past several years. Today these rates are so high that the average cost of a ton of coal delivered by rail to a great many of our customers is more than double the price of the coal at the mine.

In our own operations, we have been examining and will continue to explore other methods of transporting our product. We are finding some answers, too. For example, we are supplying many inland customers within reasonable distances of our mines by motor transport. Because of the transportation economies to be realized, this method of moving coal to certain markets will be more universally employed wherever possible.

River transportation is another means of by-passing high cost all-rail hauls. Mines located on or near local rivers, are all being equipped with high-capacity river loading facilities. Pitt-Consol, for example, has its own modern river transportation arm, consisting of several tow boats and over 100 barges. If the distance is too great to transport directly from the mines to a river loading dock, the motor truck is again drafted into shuttle service. We believe our own pipeline development for moving coal, much as natural gas and oil are transported overland, has promise for the future. We have completed the basic research and development work on this system of transporting solids, and active work is being carried forward with large coal consumers to determine how we can jointly take advantage of such a coal pipeline system.

More and more plants requiring large tonnages of coal are being built closer to the mines with large and dependable reserves of coal. In the electric power generating field, this means of cutting down the cost of transporting fuel is finding increasing acceptance. More and more kilowatt-hours are moved overland through very high voltage wires and thus are eliminating the hauling of millions of tons of coal to power stations that might have been located closer to their consuming market.

Before putting on the rose-colored glasses and taking a brief look with you into our future possibilities, I believe I would be remiss if I did not tell you of the most serious danger facing our industry in the next few years. As I have told you, we have lost, or are rapidly losing about 50% of that part of our national market that we have enjoyed since this country was founded. It is true that we have growing users of coal, but their growth is not yet large enough or fast enough to offset these tremendous losses that have developed so rapidly in the past eight years. In addition to these presently growing markets, we have entirely new uses for coal coming along that will, in time, consume very large volumes of coal. However, in the meantime, we simply have to use all the ingenuity and determination that we possess, to maintain a healthy industry. Then coal will be available when sorely needed in large volume in the future. Most of the countries of the world have had to nationalize their coal industries because coal became bankrupt and the industry was unable to produce when needed. We believe not only that every coal producer has a positive stake in this struggle, but so has the coal consumer, and our fellow competitors in oil and gas are also involved. I'm not concerned about coal's positive future after say, about 1960, but I do believe that a lot careful thought should be given by all concerned to seeing to it that a healthy King Coal gets through these intervening years. If coal were ever nationalized because it could not produce when needed, one doesn't need much imagination to think of what would soon happen to oil and gas because then these industries also could not meet all needs.

New Uses of Coal

Now, for a look at the increasing uses and entirely new uses for coal in the future:

Coal has been out of most U.S.A. kitchens for a couple of generations but coal is coming back into the kitchen in much greater volume than ever before in the form of kilowatt-hours for refrigerators, dish washers, electric cooking ranges, toasters, etc.

Coal is leaving the cellars of most U.S.A. homes but is returning rather promptly in the form of kilowatt-hours to operate washing machines, hot-water heaters, clothes dryers, air-conditioners, de-humidifiers, and soon as house-heaters in the form of the heat pump.

Coal is moving to more and more farms through new pole lines, and is doing more and more jobs on the farms in the form of kilowatt-hours.

Coal is moving more and more into general industry, large and small, in the form of kilowatt-hours.

The electric power industry is coal's fastest growing consumer. Within a couple of years, it will use more coal than the railroads ever consumed, and within 10 years, it will use more coal than the railroads and the householder ever used together.

The efficiency of converting coal into kilowatt-hours is improving each year so that with some expected improvements in coal transportation economics, one can expect that the cost of coal in the form of kilowatt-hours will be continually reduced in relation to the cost of other fuels. Thus the kilowatt-hour should become a better and better buy across the land. Coal's future here is bright and secure!

Many chemical and metal-producing processes require large volumes of electrical energy. When cheap government-financed TVA power was available, industries using these processes rushed to the TVA territory and gobbled it up. When cheap government-financed Columbia River power was available, they fled northwest to gobble it up there. When cheap excess gas was being produced in the southwest as a by-product of drilling for oil during and after World War II, these industries rushed to the Gulf Coast area.

It is becoming more apparent to us every day that cheap water power is becoming harder to secure and that cheap excess gas is a thing of the past. The very same industries that fled to cheap water power and to excess gas, are now carefully reviewing sites where low-cost, coal-based power can be made available in the northeastern U.S.A. Here transportation costs on finished products to the country's largest mass consuming markets are at the minimum. We believe this is a very large straw in a very strong wind that augurs well for coal's future in these parts!

Let's see what such a trend might mean for coal:

The Paley Report says the country will need 4,500,000 tons of aluminum a year by 1975. If this 3,000,000 tons of new aluminum were all produced by coal-based power, and from coal's derivates it would require almost 24,000,000 tons of new coal per year to do the job.

Magnesium requires about eight tons of coal to make each ton, so 125,000 tons per year of additional magnesium by 1975 could require 1,000,000 new tons of coal per year.

To make a ton of titanium by one process could require 25 tons of coal, so to produce 125,000 tons of titanium might require over 3,000,000 tons of coal. The Paley Report says the country might require 1,000,000 tons of titanium by 1975, so the coal consumption could be tremendous for this one process.

The Paley Report estimates that about 10,000,000 tons of new coal will be required by 1975 to provide the country's needs for ammonia over and above that now made from coke.

To make a ton of chlorine requires 1.1 tons of coal so to produce 6,000,000 new tons of chlorine by 1975, could require 6,600,000 tons of coal.

To make a ton of acetylene, a very important and growing chemical intermediate, requires four tons of coal per ton of acetylene. To produce 500,000 new tons of this chemical would require 2,000,000 new tons of coal.

Atomic Energy Commission Largest Single Coal Consumer

I could elaborate on this list for an hour and add many new items, but even then I could not cover all the developments on the horizon. For example, who could have predicted in 1940 that the Atomic Energy Commission in the 1950's would become this country's largest single user of coal? Obviously, this type of estimating can only be a rough approximation but one thing does stand out: Very significant volumes of coal will be consumed when this trend becomes full blown.

This trend, we believe, will be speeded up by improvements in the efficiency of converting coal into kilowatt-hours and by the gradual integration of larger and larger chemical, metallurgical and power developments. In other words, the start will be slow but the pace will be ever increasing.

The great German chemical and steel industries were a result of the close integration of coal mines, power houses, chemical plants and steel mills. Without such a close integration their growth could never have been possible. Their growth started with the coal producers and integrated out from the mines. It did not start in chemistry and integrate back to the coal mines as most people in this country believe it did.

So far I have mentioned coal's new possibilities where it will be used chiefly in the form of kilowatt-hours. Now I will touch upon other new uses based upon converting coal itself into chemicals, gaseous fuels and liquid fuels.

Over a year ago Union Carbide & Carbon Company created a great stir by announcing that they felt that the basic source of U. S. A. chemicals in the future would be coal. To implement this conclusion, Union Carbide announced further that they had built and had been operating for several months a $12 million pilot plant near Charleston, West Virginia, to convert coal into chemicals by the direct hydrogenation process. To add further emphasis, Union Carbide made known that they had purchased many thousands of acres of coal land in West Virginia and Ohio as reserves to back up their future plans.

Our own company has been working on a process for several years that also converts coal into chemicals. In our process we have a char residue that is suitable for burning under power-house boilers in place of coal. Thus, we believe we can extract chemicals from coal and at the same time provide a somewhat lower-cost fuel for the generation of power. This process fits in very well with the concept outlined above of integration, because large volumes of electric power are so essential to large chemical developments. We have been operating a large-scale pilot plant for almost a year now using this process and the results to date are promising.

Natural Gas As Fuel

The long natural gas lines from the southwest to points in northern U. S. A. are competing for gas reserves with power and chemical users of natural gas in the same source area. Recently natural gas pipelines have been built to the Pacific Coast from this same locality and thus a third competitor for the supplies of natural gas entered the picture. It appears that the Northern and Pacific Coast householders are perfectly willing to outbid the local industries for this southwest gas. The result of this bidding has been an ever-increasing price rise for this gas, plus an increasing scarcity of large reserves not already dedicated. We believe that these factors are all operating to speed up the time when coal must be converted into a natural gas equivalent. The coal fields that I have been referring to are all traversed by these long gas lines, so the problem of locating mine-mouth coal-to-gas plants is greatly minimized. We and others are working on processes that will convert coal when the time is right for this development.

Over the past 10 years there has been a great deal of comment by people in high places about the future adequacy of this country's liquid fuel reserves. In fact, whole books have been written on this subject. Out of all the welter, a few facts seem significant to us:

The U. S. A. is now a substantial net importer of liquid fuels and everyone agrees that this situation will continue, and that the amount of imports will have to be increased if liquid fuel supply is to keep up with U. S. A. demand.

All seem to agree that the more we import the more precarious our international position becomes, so it is obviously unwise for the U. S. A. to depend upon foreign countries for too much of its supplies.

This conclusion, then, is inevitable: at some future time it will become necessary to convert U. S. A. coals into liquid fuels to supplement domestic production of petroleum and to maintain imports at a manageable level. The time when this will be necessary has been variously estimated at from 1960 to 1980. Most experts' guesses that we have seen, fall between the years 1960 and 1970.

Appreciable volumes of coal can be used in the future for direct conversion into chemicals, but the totals are really insignificant compared to the coal required to supplement natural gas and petroleum supplies. This could run into hundreds of millions of tons of coal a year very quickly once the demand is established.

The process we have under development which I referred to when speaking of the conversion of coal to chemicals fits into this future picture very well. The residue char is an ideal feed-stock for processes converting coal into a natural gas equivalent and/or for converting coal into liquid fuels. The chemical liquids extracted from the coal in this process can also be converted relatively easily into gaseous and liquid fuels if the economics of the country require it. We believe, therefore, that we are building our house on a firm foundation and that we can easily add more rooms as the family grows and as we need them.

Conclusion

In conclusion, I hope I have not given you the idea that we believe this future tonnage growth for coal is going to fall into our laps if we just live long enough and keep our laps available to catch the windfall.

I have told you of the tremendous re-adjustments and re-alignments that have been made, are being made, and still have to be made in coal to achieve this growth potential and to promote new markets. It is a terrific job and it has required, and will require, a lot of capital. This capital is hard to come by in an industry which had thin margins even during the greatest boom this country ever had. It may surprise you to learn that scores of coal companies today are operating in the red, or are so close to red figures that any consideration of new outlays must be shelved. Yet, I am positive that this country will desperately need the productive capacity of these companies during the next decade, or shortly thereafter.

In addition to capital needed for re-alignment of coal producing facilities, millions will be needed for research and development to bring new processes for coal conversion up to the commercial operating level.

If our problems are given a reasonable amount of sympathetic understanding, and if all of us in the fuel industry face up to our problems realistically, I feel confident that Old King Coal will come through the adjustment years ahead in fighting trim and be prepared to take on the greatest job of all time, beginning sometime in the 1960's.

Trust Co. of Georgia Fall TV Program

ATLANTA, Ga. — The Trust Company of Georgia and its affiliated banks in Georgia — which last summer brought the first regular 30-minute television show sponsored by a bank in that State — has launched its Fall series of TV shows.

The current program, which runs 30 minutes each Monday night, is called "Science in Action," and is presented as a public service with a minimum of advertising. Each program stresses some phase of scientific achievement, and the subjects range from natural history to developments in medicine.

Because the Trust Company believes that children as well as adults will enjoy the programs, it offers two weekly TV Awards to grade school and high school children, for their comments on the show. The prizes — which are in cash — are awarded on the basis of judging by college faculty members.

The Trust Company has prepared a program for its Fall series of "Science in Action," which it will be glad to send to other banks who may be interested.

Beauchamp & West Form'g

The New York Stock Exchange firm of Beauchamp & West will be formed Nov. 9 with offices at 60 Beaver Street, New York City, to continue the investment businesses of T. J. Beauchamp & Co. and S. W. West & Co., which are being dissolved as of Nov. 8. Partners in the new firm are Thomas J. Beauchamp, Samuel W. West, Charles J. Stava, all members of the Exchange, and E. F. Beauchamp.

Continued from first page

As We See It

all the states, will decide whether he is to continue in office.

What is more, members of Congress, almost without exception, belong to one or the other of the two great national political parties, and in times of difficulty almost always demand that the national organization and the President as the head of the party come to their rescue. They are always eager to have policies such that their party will be popular among the groups who elect them. The time is, of course, long past when either of the parties stand in anything approaching unity for any integrated set of policies or programs. Out of this confused and confusing set of circumstances some of the most trying of the tasks of the President arises — as recent events have amply demonstrated. Out of them, too, whether or not the fact is always recognized, arises some of the most serious defects of our democracy and of our so-called two-party system.

Time Has Brought No Solution

This is, of course, an old, old problem, but time has done little or nothing to solve it. It has been with us in full force for a half century or more. The words of Lord Bryce, who described it at the turn of the century, might well be an account of conditions as they exist today. Here is how the situation was described in "The American Commonwealth" in the 1910 revision of the 1894 edition:

"There are now two great and several minor parties in the United States. The great parties are the Republicans and the Democrats. What are their principles, their distinctive tenets, their tendencies? Which of them is for tariff reform, for the further extention of civil service reform, for a spirited foreign policy, for the regulation of railroads and telegraphs by legislation, for changes in the currency, for any other of the 20 issues which one hears discussed in the country as seriously involving its welfare?

"That is what a European is always asking of intelligent Republicans and intelligent Democrats. He is always asking because he never gets an answer. The replies leave him in deeper perplexity. After some months the truth begins to dawn upon him. Neither party has, as a party, anything definite to say on these issues; neither party has any clean-cut principles, any distinctive tenets. Both have traditions. Both claim to have tendencies. Both have certain war cries, organizations, interests, enlisted in their support. But those interests are, in the main, the interests of getting or keeping the patronage of the government. . . .

"The chief practical issues which once divided them have been settled. Some others have not been settled, but as regards these, one or the other party has so departed from its former attitude that we can not now speak of any conflict of principles.

"When life leaves an organic body it becomes useless, fetid, pestiferous: it is fit to be cast out or buried from sight. What life is to an organism, principles are to a party. When they which are its soul have vanished, its body ought to dissolve, and the elements that formed it be regrouped in some new organism. . . .

"But a party does not always thus die. It may hold together long after its moral life is extinct. . . . Parties go on contending because their members have formed habits of joint action, and have contracted hatreds and prejudices, and also because the leaders find their advantage in using these habits and playing on these prejudices. The American parties now continue to exist, because they have existed. The mill has been constructed, and its machinery goes on turning, even when there is no grist to grind. But this is not wholly the fault of the men; for the system of government requires and implies parties. . . .

"There is still a contrast between the larger and more radical wing of the Democratic party and the older school of Republicans, but the conservative section of the Democrats differ very little from the conservative Republicans; and there are radical Republicans whose views are shared by plenty of Democrats. This approximation seems to indicate that the time for a reconstruction of parties is approaching; but party organizations are strong things, and often interfere with the course of natural evolution."

Real Problems Posed

Party organizations—or something else—has indeed interfered with what should have been the course of helpful evolution in these things. It is still obvious that both parties are badly divided, and that a certain sort of reshuffling of the membership of them would result in greater homogeneity in both — and, we might add, greater usefulness of both. At all events, the present situation poses problems which we must not ignore.

Continued from page 7

The Potpourri of Business Forecasts

idly by if and when the economy is threatening to slip into a deflationary spiral.

Same Factors Interpreted Differently: Based on an attempt to balance these favorable and unfavorable factors, I suggested that the Federal Reserve Board index of industrial production would not end the year 1953 much below 230 to 235, as compared with the 1953 peak of 243 last March and that even by the end of 1954 the index would not be below the range of 205 to 215. I still don't see any reason to change these estimates.

Dr. Edwin G. Nourse, the former Chairman of the Council of Economic Advisers, in a recent speech, also made up a list of vulnerabilities. It turned out almost identical with my earlier list.

He then also contrasted the vulnerable points with the underlying factors of strength. Yet he arrived at the conclusion that the Federal Reserve Board index of industrial production may be down to 200, or even 190, by the end of the current year, or in the early part of next year. Dr. Nourse, by the way, called his talk "Recession Threats and Depression Safeguards."[4]

These rather sharp differences in the conclusions based on virtually the same set of facts, prompts me to offer you as

Rule 4: Be aware that wherever a business forecast is based on comparisons of favorable and unfavorable factors, you are getting personal evaluations rather than mathematical equations.

Value of Anti-Recession Programs: The third type of business outlook talks—the development of anti-recession programs—is probably the most abused one.

If handled properly—and Professor Slichter for instance, is an expert at this, this type of analysis can be helpful—though perhaps more to the administration than to the business community.

We badly need to develop our knowledge of such subjects as the incentive value of tax cuts, the role which credit policy can play in an attempt to arrest a business decline; the value of public works versus tax cuts; the possibility of offsetting declines in government and businesss spending by an increase in consumer spending.

We know far too little about the present structure of our economy, its strength and strains, the true significance of the shifts in national income distribution that have taken place over the past 20 years.

I am sure that the members of President Eisenhower's Council of Economic Advisers, Dr. Arthur Burns and Dr. Neil Jacoby, would be delighted to be presented with a workable program for the prevention of recessions and maintenance of economic stability.

But what earthly good can it do to merely lecture businessmen that they can keep the boom alive just by continuing their present rate of investment spending, regardless of profits and sales outlook, and to lecture labor that it must work harder for less money so that prices can be reduced.

Yet this is the caliber of many of these so-called anti-recession programs.

Therefore, our

Rule 5: Do not confuse what should be done with what can be done.

Don't let these programs lead you into undue optimism. Most of them have about as much chance as a snowball in hell.

III
Lack of Signposts

The most valuable approach to an analysis of the business outlook, it seems to me, is the development of a set of signposts or yardsticks against which the trend can be measured and which become discernible early enough so that banker and business men can do something about the situation before they are caught with their loans or inventories up too high. But there are difficulties.

Unfortunately, we do not yet know which signpost, or group of signposts, can be relied upon to forecast impending trouble in the months ahead.

Moreover, we probably never will have a regular set of reliable warning signals for this purpose because no two recessions ever are alike. Each depends on the character of the boom that preceded it. Hence, in each business cycle different things must be watched.

There is no single "formula" that can be recommended; except perhaps the Luedicke "better safe-than-sorry" formula that always seems like a good bet whenever the economic weather gets thick and nobody can tell for sure whether there will be a storm or whether it will pass over.

Where to Look for Guidance?

Where, then, are we to look for guidance?

Statistics are often too late to do much good. Opinion surveys—to be distinguished carefully from opinion "polls"—are quicker than statistics and can often be valuable as signposts of what is ahead.

"Intentions" to do this or that—such as the data on intended plant expenditures or planned consumer purchases—are of dubious value for this particular purpose because they can be changed too easily, and without notice. This is likely to happen just at the critical time when trend is changing.

"Ratios" of one set of figures to another—such as the ratio of inventories to sales or consumer credit to disposable income—are not any better than the figures they are based on. They become available too late. Moreover, for obvious reasons, they always look the best just before trouble sets in.

There is obviously nothing wrong with the use of ratios *per se*. What we need are better ones, and we need them more quickly.

All of that adds up to—

Rule 6: Don't place too much reliance on any particular signpost. Just because it did serve its purpose well on a previous occasion does not mean it will do so again.

Key Elements in Current Picture: There are a number of facts and figures that bear close watching at this particular time. Among them are:

(1) The trend in defense spending. There is little prospect for any sizable reduction from current levels.

(2) The trend in plant and equipment expenditures. Anything more than a 10% decline next year would be a warning signal. Such a decline is by no means certain, however.

(3) The trend in weekly earnings per worker and the average number of hours worked per week. This is an important purchasing power indicator, particularly as it reflects the disappearance of overtime—out of which much of the advance in our living standard has been financed over the past decade or so.

(4) The trend in commodity prices because prices will act as a sensitive barometer of changes in demand now that the adjustment to conditions of ample supply, if not over-supply, has been virtually completed. There are, of course, plenty of other useful indicators—such as steel output, automobile sales, housing starts business failures and even the stock market. But the first four—defense, plant expansion, personal income and prices will determine whether we will fall off the high and narrow ledge of the superboom on which we are now precariously perched, or whether we will regain our grip and find ourselves once more on solid ground.

Popular View Sees Moderate Recession: If I am reading the signs correctly, the feeling now is widespread that we finally have passed the peak of the postwar boom and are headed into a moderate and relatively short recession.

Just how valid is this widespread belief? Just because it is the majority opinion, that does not make it necessarily true. Actually, I can never quite get rid of the suspicion that the majority is more often wrong than right.

This then brings us to the final, and perhaps the most important, rule to be followed in the evaluation of advice on the Business Outlook. It is—

Rule 7: Never take the popular majority view for granted. Probe behind it and see whether or not it stands up under such probing.

IV
The Pattern for 1954

If I look at the five major vulnerabilities now discernible in our economic structure. . . .

If I try to measure their potential explosiveness in view of the fact that they are the result of the longest super-boom we have ever witnessed. . . .

If I realize that they were created by almost constant over-stimulation of the economy over a period of nearly 15 years. . . .; and

If I add to this the painful experience that the American businessman is only too easily swayed from one extreme view to the opposite one. . . . :

If I do all this, I am forced to the conclusion that we have the makings of a rather substantial recession.

I am afraid that the strains and stresses which have been built into the economy as the result of constant over-stimulation since the start of World War II cannot be corrected by a bit of repair work here and there.

Or can we perhaps rely on growing into our expanded industrial capacity before over-production catches up with us in earnest?

Important Showdown Slowly Shaping Up: We hear a great deal today about the stabilizers that have been built into the economy since the early '30s to prevent another major depression.

We hear far less today about

---

4 Speech before Third Joint Conference of Correspondent Banks at Memphis on Sept. 10, reprinted in Financial Chronicle of Sept. 24.

the strains and stresses that have developed in the economy over the past two decades.

These two forces have not yet been tested against each other.

When you look at the current vulnerabilities, you are forced to conclude that we are skating on rather thin ice.

And yet, I do not believe that the current slight letdown in business marks the start of anything more serious than a moderate slowdown.

The real test will come later, much later. Probably not for several years.

This conclusion is based on two reasons. The first one is easy to grasp; the other one, unfortunately, is quite elusive and difficult to pinpoint.

The first one is the role Government will play in the economic field next year.

Are We Aware of Underlying Strength? The second one is the growing realization that most of us probably still do not fully grasp the deep changes that are currently going on in our economy as the result of an unparalleled growth in population, an unparalleled increase in the standard of living and unparalleled technological progress.

All the work now being done on business cycle research warns us that trouble lies ahead. But what if the starting point of all this research is wrong?

Perhaps the present trend toward higher living standards can be compared with the great industrial revolution of the last century.

Perhaps we are still counting in thousands, where we should be counting in millions.

Do not believe for one moment that I have become a disciple of Leon Keyserling.

I don't believe that the business cycle has been conquered. I don't even believe that it would be a good thing if it could be conquered.

All I am trying to say it that, perhaps, we are badly misjudging the growth factor that is driving the economy ahead.

That is something to keep in mind—if the pessimism all around us gets too thick.

Political Considerations Seen as Prop: Actually, I do not believe that we are about to witness a showdown between these underlying forces of strength and the vulnerabilities in the economic structure.

And this is where politics enters the picture.

I am firmly convinced of two things:

(1) If the current business letdown continues through mid-1954 and perhaps shows even signs of acceleration, the Administration will intervene with a deliberate anti-recession program; and

(2) If the Administration sets out on such a program, I believe that its intervention can be effective enough to show results before the next Congressional elections.

With the strong underpinnings of defense and defense-related activities, the economy could drift gradually lower for quite a while without getting out of hand.

Actually, this could provide the necessary pause for piecemeal adjustments. But it would bring with it a gradual increase in unemployment which, before long, would make such a course politically unfeasible for the party in power.

Sound Program versus Compromise: It is easy enough to say that President Eisenhower would develop what he and his advisers consider a sound economic program—and then stand or fall with such a program.

I rather believe that a better case can be made for compromise, because the political alternative may not be the return to the Fair Deal of former President Truman —but something far more drastic.

The present Administration is on sound ground in not wanting to use up its anti-recession ammunition prematurely. Some of it, of course, has already been used in the field of money policy. A second round will be used Jan. 1 when the scheduled tax cuts go into effect. And don't underestimate their potential influence even if, at first, only $5 billion are involved.

I do not believe that the Administration—or any administration, for that matter—can manipulate its economic policies indefinitely so as to avoid any interruption in the growth of the economy. There is only so much even the dollar can stand.

But the showdown is not yet near. And with any luck, we can perhaps avoid the Day of Reckoning—if we resist the temptation to use stimulants while we are still going at a strong pace.

This is primarily a political problem — but one that can be solved.

Because I believe it can be solved, I can only be moderately bearish for the immediate business outlook and I must remain bullish for the long-range future of our country.

Problems in Meeting Mass Transportation Needs

Marcus Nadler, New York University Finance Professor, says prime question is whether nation can afford effort and tremendous expense involved.

In addressing the American Society of Civil Engineers in New York City on Oct. 22, Dr. Marcus Nadler, Professor of Finance of New York University, stated in part, as follows:

"According to the best available estimates the expenditure required to make good the deficiency of highways and streets alone at the end of 1953 was placed at over $40 billion. To this must be added the expenditures which would have to be made to meet the deficiencies in airport facilities and the railroads. Taken together, the amount involved is indeed very large. Moreover everyone is fully conscious of the fact that practically every city is suffering from hardening of the arteries and from inadequate parking facilities. That there is a need to be met is taken for granted.

Marcus Nadler

"The prime question that arises is whether the nation can afford to meet it. This question divides itself into two parts: (1) the problem of economic costs—i.e., do we have the physical means (manpower and material) to meet the deficiencies without harming other phases of the economy; and (2) the financing problem—i.e., can we raise the necessary funds to meet the costs without imposing too great a burden on the taxpayers? Of these two questions the problem of economic ability is of far greater importance. The question, specifically, is: Can we use the labor and raw material that will be required to meet the transportation deficiencies without curtailing our ability to meet other basic needs which may be even more important? Can we at the same time continue with the defense program?

"During the war, since the economy of the country could not provide both guns and butter, the choice was simple. The nation chose guns with the result that the production of many consumer articles was either stopped entirely or drastically curtailed. An analysis of current economic conditions reveals that the country is now economically capable of meeting the transport deficiencies as well as the demands of national security and at the same time providing all the needs of the civilian population.

"The productive capacity of the country at present is higher by over 50% than at the end of 1945. The civilian labor force at the end of June, 1953, was placed at 64.7 million[1] as compared with 55.6 million[2] in 1940. The capacity of the steel industry as of Jan. 1, 1953[3] is 117.5 million tons as compared with 81.6 million[4] in 1940 and the output of Portland cement has risen from 10.9 million barrels monthly in 1940[5] to a monthly average of 20.7 million barrels in the first half of 1953.[6]

"Moreover all indications are to the effect that the economy of the country is headed for a readjustment and during this period the meeting of the transportation deficiences could to a considerable extent counteract a decline in business activity. From the economic point of view therefore the question is not whether we can afford it but rather whether we can afford not to go ahead and meet the transportation deficiencies.

"The financial question, while of lesser importance, is more complicated. It is evident that the cost of meeting the transportation deficiencies cannot be met by imposing additional direct taxes. Both individual and corporate taxes have reached levels where they are hampering private initiative. Local taxes are already burdensome and will continue to rise.

"The financing of the transportation deficiencies therefore would have to be done on a self-sustaining basis so that the taxpayer does not pay it directly but rather by what may be termed a "use tax." In 1952 the gasoline and registration taxes paid by motor vehicle owners amounted to over $4,880 million. If it were possible for this money to be used efficiently and exclusively to meet the transportation deficiencies in so far as highways and streets are concerned it would be ample. The problem therefore is to see that the indirect taxes which the motor vehicle owners already pay are used to meet these deficiencies."

1 Survey of Current Business, August, 1953, pp. 5-10.
2 U. S. Department of Commerce, Hist. Stat. of U. S. 1789-1945, p. 63.
3 Survey of Current Business, August, 1953, p. 5-32.
4 Steel, Jan. 1, 1951, p. 121.
5 Survey of Current Business, 1947, Stat. Supp., p. 170.
6 Survey of Current Business, August, 1953, pp. 5-38.

Lincoln Secs. Corp. Opens

Lincoln Securities Corporation has been formed with offices at 52 Broadway, New York City, to engage in the securities business. Officers are Lester Ober, President; J. Shernov, Vice-President; M. Gordon, Secretary, and Sol Gallup, Treasurer.

R. F. Stangler Opens

CENTRALIA, Wash.—Robert F. Stangler is conducting a securities business from offices at 811 South Gold Street.

Schwarm & Co. Formed

HAMILTON, Ohio — Schwarm and Company is engaging in a securities business from offices at 626 Park Avenue. Officers are Edward Schwarm, President, and Virgil M. Schwarm, Secretary-Treasurer.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The heavy oversubscription of the 2¾% bond resulted in very small allotments. The various allotments, however, were about in line with what had been expected in the financial district. "Free riding" was pretty well controlled this time, so the unfortunate experience of the 3¼s was not repeated. The 7-year-10-month obligation is a very attractive issue because the coupon rate was right and the maturity was right which means that the new issue fits very well into the pattern of the market. It was tailored to meet the needs of investors, especially the commercial banks. The latter institutions by taking on the 2¾% of 1961 have had an opportunity to not only extend maturities but also to create deposits (purchasing power).

The substantial premium that the new bond is selling at shows that the demand has been mainly from investors who are rather anxious now to extend maturities. There has also been a fairly large amount of self-refunding which has helped the volume and activity of the market.

Entire Market Stimulated

The heavy demand for the 2¾s due 1961 had a stimulating effect upon the government market, especially from the standpoint of volume and activity. The fact that hardly anyone was able to get all the bonds he wanted at the original offering price created a demand for the new issue which carried it to a substantial premium above the subscription price of 100. It had been expected that the new money issue would go to a premium when the announcement was made by the Treasury last week and the quotation above the offering price of one point was in line with what specialists in the government market had been predicting.

The new issue, according to money market followers, had the right coupon rate and the maturity was also right. The commercial banks with funds available this time were very much attracted to the new bond because, with the belief that money rates will continue to ease, there is a definite tendency to extend maturities and the 2¾s of 1961 afforded them just such an opportunity. The liquidity preference idea which has been so dominant in the money market appears to be moving into the background because of the changed conditions and from indications will not be so important as long as the trend is in the direction of lower money rates. According to some government security market specialists this is a very constructive development and it augurs well for the extension of maturities by the Treasury in future refundings.

Conditioning Market for Long-Term Issue

According to those that appear to know the pulse of the money market, the Treasury in not offering a long-term bond in the new money-raising effort has done much to repair some of the damage that was done earlier in the year. They point out that the market was not ready for a long-term obligation and if such an offering had been made at this time it would have crowded the longer end of the list which would not have been a favorable development. However, by keeping away from long-term financing the Treasury seems to be putting that section of the market in condition for such an offering in the not too distant future. It might be that a not unimportant amount of the December 2⅛s will be turned into longer-term obligations. This and the other refunding operations which the Treasury will be undertaking in 1954, should give the powers that be an opportunity to move out maturities because the market by that time should be in prime condition for just such an offering.

An Anti-Deflation Operation

By tailoring the new issue to meet the needs of the government market, the monetary authorities, according to some money market specialists, have been able to give the economy a kind of a fillip which should be of some benefit in the move against the deflationary forces which they believe are now operating. The commitments in the 2¾s by the commercial banks (which received the largest amount of the new bonds) create deposits and, in effect, purchasing power and this is what is needed when the economy is in a decline. Monetary measures alone cannot stop the forces of deflation but they can be one of the important factors in such an operation.

Self-Refunding by Institutions

A considerable amount of self-refunding is being done by many institutions because of the desirability of the 2¾s due 1961. Some of the issues that are being sold to make way for the new bond are the intermediate term obligations, particularly the 1957 and 1958 maturities that are at the par level or higher. There are also switches out of shorter term issues because there is the desire to lengthen maturities. In addition, it is reported that trades have been made from some of the longer term bonds into the new 2¾s but these are mainly for tax purposes.

Although the 3¼s due 1968/73 have taken a back seat temporarily because of the interest there is in the new bond, there is, according to reports, a very good two-way market in this issue with the demand expanding as this obligation goes into strong hands.

With B. C. Ziegler Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Anthony P. Gawronski has become affiliated with B. C. Ziegler & Co., First Wisconsin National Bank Building.

With Walston Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Saul S. Dorfman has joined the staff of Walston & Co., 621 S. W. Morrison St.

Wilder-Ramsey Formed

WASHINGTON, D. C.—Wilder-Ramsey has been formed to engage in a securities business from offices at 1129 Vermont Avenue, N.W. Henry L. Wilder, Jr., is sole proprietor. He was formerly with King Merritt & Co., Inc., and Theodore T. Ludlum and Associates, of which he was sales manager.

Continued from first page

American Monetary Policies And Their Impact on the World

tional solvency of Western Europe.

We are really a strange and unpredictable people. At one time we go to the extreme of assuming responsibilities which are not ours and of trying to make everybody in the world happy and prosperous; at another time, like at present, in the question of restoring monetary order, we take the position that we have no obligations to the world and we exhort the foreign countries with appeals to virtue and patience.

For the sake of domestic policies, and sometimes because of false intellectual prepossessions, we refuse to face the issues with which we are confronted. Yet as Professor John H. Williams recently stated: "The impact of the United States on the outside world is the basic international economic problem."

We produce and consume almost as much goods (and services) as all the rest of the world put together. We are the greatest buyers of raw materials in the world. Therefore our domestic economic and monetary policies are bound to have serious important international repercussions. On the other hand, what goes on in the world economy has a considerable impact on our own domestic situation. I am afraid, however, that too few people in our country are aware of the serious consequences to our economy which may ensue as a result of the disintegration of world trade and of the international monetary disorder. The lessons of the 1920's and of the 1930's have apparently been forgotten.

We should rid ourselves of the delusion that we have either the responsibility or the means to make everybody happy and prosperous in the world. On the other hand, we should assume boldly our obligations to the free international community. Only by trade and investment can we really help the other countries to share in our economic progress and technological improvements. Unfortunately many of our present economic and monetary policies, both domestic and foreign, are inconsistent and incompatible with the expansion of world trade. We should relentlessly pursue the goal of reestablishing the self-equilibrating tendencies in international trade based on the quasi-automatic correctives of the price system. We should adopt domestic economic and monetary policies compatible with our international obligations. We should return to an international gold standard system. The necessary conditions for a workable international gold standard system are fundamentally the same as the conditions most favorable to uncontrolled, unhampered, non-discriminatory multilateral trade. The essential condition for a return to the gold standard is to stop inflation, which is also an essential condition for reestablishing the self-equilibrating tendencies in international trade.

The World Impact of Our Monetary Policy

I should like now to tackle the subject matter of my address, namely our monetary policy and its impact on the rest of the world. We shall discover that our monetary policy is inflationary, nationalistic and incompatible with either the restoration of international monetary order or with the sound expansion of unhampered world trade in a free community of nations.

Before I analyze what happened since the adoption of the Federal Reserve System, I wish to give you a bird's eye view of our monetary policies since the inception of our Republic.

The monetary policy of the United States had an inflationary bias since its beginning. For obvious reasons, the American Revolution itself had to be financed by inflation. The rapid increase of population and the exploitation of unused resources created a demand for constant increase of monetary means which was met by the issuing of bank notes and by bank credit. Besides, the American people were borrowing substantial sums of money from abroad. The resort to paper-money issues has attended every great financial crisis of the government, and the call for abundant and cheap money has become regularly associated with every period of industrial depression.

Until the end of the 1920's the American economy, spurred by inflation at various periods of its history, was not able to have a durable development of its own, independent of the world economy. The domestic inflationary propensities were contained by economic trends and events outside the boundaries of the United States. Up to the first World War agricultural products were a large part of our national product so that prices in our economy were tied up closely with prices in international markets.

Lately the economic power of the United States has become so preponderant vis-a-vis the rest of the world that particularly since World War II we are witnessing a new experience. The government of the United States has adopted an inflationary, nationalistic moentary policy in support of a grandiose dream of an American perpetual boom. To the extent that our policies are incompatible with our responsibilities toward the rest of the free world, we have chosen to pull the economies of the free countries in our wake by gifts, aid and lately off-shore purchases.

Since the creation of the Federal Reserve System in 1914 and particularly since 1933 our monetary system has been streamlined into the biggest and subtlest inflation engine in the world. It is subtle because only very few people really understand how it works, and how it makes possible for our politicians and money-managers to inflate our monetary means. In a recent article published in "The Freeman," Professor von Mises calls our monetary system "a modern variety of the greenback standard."

In an excellent book on "Banking and the Business Cycle" published jointly in 1938 by three professors, C. A. Phillips, T. F. McManus and R. W. Nelson, one can read the following statements:

"Two events occurred in 1914 that were to have profound influence upon subsequent economic developments in the United States. The first of these was external, the outbreak in Europe of the World War; the second was internal, the formal inauguration of the Federal Reserve System. Both were events propagative of an unprecedented orgy of inflation. The two, inextricably intertwined, brought about a great inflation of bank credit in connection with war finance, and both were productive of striking changes in the economic structure of the world during and after the War."

"When the hegemony of world finance passed to the United States during and after the War (World War I), and with it the responsibility for international monetary management, there were only a few nations remaining on the gold standard, and the inexperienced or incapable hands in this country essayed to manage a purely domestic gold standard, apparently with but scant regard for the international aspects of the situation."

Possibility of Restoring Order

The question I wish to examine now is whether the restoration of monetary order in the world and the expansion of unhampered multilateral trade is possible without a fundamental change in our Federal Reserve System and without a change in our gold policy.

We shall not attain our goals in foreign economic policy until and unless the free world restores monetary order, by which I mean until it gets again freely inter-exchangeable currencies, and stable currencies. The restoration of monetary order would permit again the functioning of the price mechanism and thereby the reestablishment of self-equilibrating tendencies in international trade. In international discussions there is a great deal of talk about the restoration of the free convertibility of currencies, which should more precisely be called the free inter-exchangeability of currencies on current account. I for one do not think that the restoration of the free inter-exchangeability of currencies will bring about a sound expansion of unhampered non-discriminatory multilateral trade because the free world is as much in need of stable currencies as it is in need of freely exchangeable ones. Now, unless I am grossly mistaken, autonomous monetary policies of various countries are incompatible with fixed exchange rates, freely inter-exchangeable currencies and multilateral unhampered non-discriminatory trade.

But even this limited goal of freely inter-exchangeable currencies is not attainable if we maintain our present monetary and gold policies.

The European countries maintain that the restoration of the free exchangeability of currencies requires the fulfillment of two essential conditions: (a) the liberalization of our foreign trade policies, and (b) the acquisition of larger reserves to improve their international liquidity.

How large must the reserves be? The first rule to keep in mind is that under a system of autonomous monetary management with fluctuating exchange rates, the reserves need to be much larger than under a gold-standard system. Our inflationary monetary policy without exchange-controls is possible merely because we have large gold reserves, and the world needs and wants many of our raw materials and manufactured goods. Our own nationalistic inflationary monetary policy, aiming at full employment and the maintenance or rise of wages and prices, creates the danger of sudden important setbacks and large decreases in our imports. Furthermore, all the countries have increased manifold their pre-war paper money supply, and international trade expressed in national currencies is much larger than before the war as a result of the expansion of volume of trade and of the increase in prices.

How can the reserves of the European countries be increased adequately? It can be done either by a convertibility loan from the U.S.A. or by raising the price of gold to, for instance, $70 an ounce, or by deflation and competitive exchange depreciation designed in the end to crack the value of the dollar in terms of gold. There is no hope of increasing these reserves by a liberalization of U. S. foreign economic policies.

At the recent meeting of the International Monetary Fund we have informed the foreign nations that we do not intend to change our gold policy or to grant any convertibility loans. This attitude does not leave many choices to the Europeans.

I am personally opposed to an increase in the price of gold for any other purpose than a restoration of the international gold standard system for the three following reasons:

(1) Most European countries need stable currencies as much as they need their free exchangeability.

(2) A rise in the price of gold without a return to the gold standard would only provide the politicians with additional inflationary tinder and prevent the reestablishment of the quasi-automatic correctives of the price system in international trade, and

(3) A policy of flexible exchange rates will not discourage domestic inflation and the value of many currencies will constantly depreciate.

Solution Lies in International Gold Standard

I cannot convince myself that there is any other sound solution to the domestic and international problems of the free world than a return to an international gold standard system.

Unfortunately there are strong prejudices against a return to a gold standard, the two main ones being the following: (1) That it is responsible for the great depression; (2) that the gold standard will function when we don't need it and will not function when we need it. The argument runs that the governments and legislative bodies will suspend or tamper with the gold standard when its discipline becomes too severe.

Answering the second prejudice first, it is obvious that a democratic society, endowed with universal sufferage, can forego any kind of discipline or restraint if it so chooses; otherwise there is no justification to the prejudice that the gold standard mechanism will not work when we need it. The truth is that the discipline of the gold standard mechanism may become too severe if we mismanage our monetary and fiscal affairs and if the commercial banks abuse the use of credit, and particularly if they extend long-term or inflationary bank credit. Therefore we should change our banking policies and amend the Constitution to prevent us from suspending the gold standard or from tampering with our standard of value, at least in time of peace.

As to the first prejudice, I completely share the view of the three professors mentioned above, that the mismanagement of our Federal Reserve System is largely responsible for the severity and length of the great depression.

Speaking of the 1929 depression, Professors Phillips, McManus and Nelson made the following statement:

"The ultimate causes of the depression are traceable to the War. . . . The special character of the depression is traced to the hyper-elasticity of the Federal Reserve System, and to the operation of that system as exemplified in the 'managed currency' experiment of the Federal Reserve Board. . . . By virtue of that experiment the Board succeeded in holding up the price level for a surprising length of time, but in so doing unwittingly aided in producing the boom and its consequent depression. . . . Nor were the effects of this Federal Reserve Board action confined solely to the United States; the banking and industrial systems of leading commercial nations are interrelated so closely that the mistaken policy of one large central banking organization may be highly conducive to the precipitation of a world-wide depression."

Depression Stemmed From Pre-War Gold Price and Post-War Inflation

The depression of 1929 was abnormally long and deep because after World War I we tried to maintain simultaneously the pre-war 1914 price of gold in terms of the dollar and sterling, and the post-war inflated prive level. The lesson of the 1920's is to my mind clear and unmistakable. Because we did not understand the monetary problems inherited from World War I, we hoped to maintain the post-war price level by an abnormal expansion of credit. Our illusion was shattered by the great depression, and the historic fact is that finally the purchasing power of sterling and of the dollar had to be adjusted to the purchasing power of gold. It is the hyper-elasticity of our Federal Reserve System which gave the 1929 depression its severe character and broke the gold standard.

If we are to return to an international gold standard system it is essential to avoid the mistakes made after World War I. We have to face two problems: 1) to give again to the world currencies in which the peoples have confidence, and (2) to prevent a deflationary trend of prices as a result of the stoppage of inflation and of the restoration of the gold standard. It is my deep conviction that these two problems cannot be met by our country and the rest of the free world unless we radically change the method of operation of our Federal Reserve System and our gold policy.

What makes it possible for us to maintain the price of gold at $35 an ounce while the price-level and wages have increased more than 100% since 1939, and while still preserving intact the trappings of a gold bullion system? How are we able to make the purchasing power of gold conform to the purchasing power of our dollar instead of having the purchasing power of the dollar conform to the purchasing power of gold?

The answer is to be found in the preponderant power and richness of our country and in the hyper-elasticity of our Federal Reserve System. Our money supply does not need to conform to our gold position. What we are doing in fact is tampering with our standard of value.

If one reads our Gold Act of March 14, 1900, one realizes that Congress wanted a monetary system in which the purchasing power of the dollar is made to vary with the purchasing power of our standard of value which is gold. The hyper-elasticity of our Federal Reserve System made it possible for us to monetize debt and increase the supply of money and credit to such an extent that the value of gold is made to conform to the purchasing power of the dollar. This is in line with the policy recommended by Professor R. G. Hawtrey, author of well-known books on the gold standard and the art of central banking. He asserted that:

"If the central banks cooperate together they can control these monetary demands, and the value of gold will conform to the value of currency units instead of the value of the currency units conforming to the value of gold."

In monetary systems which use gold as reserves of central banks there is a relationship between the stock of gold, gold production, credit expansion which gold reserves make possible, and the general price level. Now, the present level of prices is not the result of a normal relationship with the production of gold, but the outcome of huge monetizing of debt

in the United States as well as in most other countries since 1939.

Use of Government Debt and Monetary Reserves

If we had not used government debt as monetary reserves the price level would not have reached the present heights and the gold production would be much larger (because costs would be lower). By maintaining our price of gold at $35 an ounce and allowing the price level to increase, thanks to the monetizing of debt and tampering with fake reserves, we have created a situation pernicious to the rest of the world and untenable even by us in the long run.

All the governments have allowed the growth of money and credit greatly in excess of what would have been possible if the conditions regarding convertibility into gold had been maintained. Therefore the international liquidity in gold has to be restored by a change in the price of gold and by its increase of production, if we are to stop inflation and yet prevent a strong worldwide deflationary trend of prices.

The present price of gold prevents the rebuilding of adequate gold reserves by central banks and forces many countries to maintain exchange controls; it also forces the United States to either tamper with fake reserves or continue monetizing of debt.

Furthermore, the maintenance by our country of the price of gold at $35 per ounce prevents an increase in the production of gold which the world needs badly.

A rise in the price of gold to about $70 an ounce would double the currency value of the existing monetary gold reserves; the output of gold outside the United States, assuming a recovery of gold output to the 1940 level, could reach an annual rate of about $2,200 million as compared with an actual production of $760 million in 1951 at $35 an ounce. Furthermore, a rise in the price of gold would most probably induce hoarders of gold to sell it to their central banks.

In considering responses to world problems it is vital to realize that in most of the countries gold serves not only as a means to settle foreign balances of payments, but also as a means to sustain confidence in the national currencies. Even if we accept the assumption that the U. S. can still add to monetized government debt to provide artificial reserves for its monetary system, it is a fact that this practice cannot be used anymore by most of the other countries because their peoples have lost confidence in fiat money.

The greatest calamity which could beset the free world would be a loss of confidence in the soundness of the dollar. The essential condition of the soundness of the dollar is to stop inflation. Inflation cannot be stopped without returning to a gold standard and changing the price of gold to a figure which I estimate at about $70 an ounce.

It remains to be seen whether we shall return to the gold standard while we are still masters of the situation or by a chaotic route. Our aim must be to restore monetary order and to prevent in the process a severe and prolonged depression. If, without further waste of time, we plan carefully the restoration of the international gold standard, whatever readjustment in our economy may be necessary will be shorter and less painful than if we continue our present wrong gold and monetary policies. I have no hesitation to predict that the future of economic liberalism and of the preservation of human freedom in the world depend on how we manage our monetary affairs in the next few years to come.

Continued from page 5

The State of Trade and Industry

1,070,000. Independent auto makers as a group assembled 486,100 for 9.1%.

Truck production, meanwhile, is definitely in a downturn. "Ward's" blamed "inventory and model changeover" at Chevrolet, G. M. C. Truck & Coach, International Harvester and Studebaker for the decline. Last week, this agency reports, the industry made 14,113 trucks, off 26% from the 19,200 in the previous week and a 53% slump from the 29,794 in the like 1952 week.

Steel Output Scheduled at Lower Rate This Week

The steel buyer is beginning to know how it feels to be in the driver's seat once again, and he likes it, says "Steel," the weekly magazine of metalworking, the current week.

Not only is he more frequently getting what he wants, when he wants it, and at costs more favorable than they were a few months ago, but his position continues to improve. Competition among steel producers for his business is intensifying, and as a result, freight absorption by mills is an increasing factor, it reports.

Feeling the sting of competition least are the steel producers who all along charged only standard prices. Hurt the worst are producers, most of them small, who charged premium prices when steel was hard to get. One of these small producers was down to a steel ingot production rate of only 20% of capacity last week. Earlier this year the mill was running at 100% of capacity. Unless a sufficient amount of orders are received quickly, that mill will cease production next Friday. There are reports the mill is for sale. Another mill that had been charging premium prices cut its operating rate from 100 to 33%, this trade weekly states.

Actually, steel demand, as reflected by current production, adds this trade magazine, has not dropped a lot. In the week ended Oct. 31, output of steel for ingots and castings was at 94% of capacity. While that rate is down 1 point from the preceding week, a representative of one large steel company says, "We can't kick on that. In fact, we shouldn't complain if the national rate were 90." The country's largest producer of steel, U. S. Steel Corp., finds steel demand strong enough to sustain its ingot production close to capacity the rest of this year. The corporation's Chairman, Benjamin F. Fairless, says he would not be much surprised if production in the first quarter of next year averaged around 95%, with the industry as a whole not varying much from that figure.

Increasing competition in the steel market lowered "Steel's" arithmetical price composite on finished steel another 23 cents, making the latest figure $115.13 per net ton. In contrast, scrap, one of the principal raw materials for making steel, continued to firm up in price and boosted "Steel's" composite on steelmaking grades of scrap to $33.83, an increase of $1 over the preceding week, concludes this trade weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be at an average of 92.9% of capacity for the week beginning Nov. 2, 1953, equivalent to 2,094,000 tons of ingots and steel for castings as against 94.6% (revised), or 2,132,000 tons a week ago. For the like week a month ago the rate was 95.2% and production 2,146,000. A year ago the weekly production was placed at 2,200,000 tons and the operating rate was 105.9% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953, the rate this year being higher than last year.

Electric Output Extends Gains of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 31, 1953, was estimated at 8,331,593,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 55,167,000 kwh. above that of the preceding week, and an increase of 608,668,000 kwh., or 7.9%, over the comparable 1952 week and 1,042,574,000 kwh. over the like week in 1951.

Car Loadings Advance 5.7% Above Week Ago

Loadings of revenue freight for the week ended Oct. 24, 1953, decreased 18,126 cars, or 2.2% below the preceding week, according to the Association of American Railroads.

Loadings totaled 804,413 cars, an increase of 43,640 cars, or 5.7% above the corresponding 1952 week when loadings were affected by labor trouble in the coal fields, but a decrease of 60,387 cars, or 7% below the corresponding 1951 week.

U. S. Automotive Output Shows Little Change From Week Ago

Automobile output for the latest week held about the same as in the previous week and 6% ahead of the like week in 1952, according to "Ward's Automotive Reports."

The industry turned out 124,280 cars last week, compared with 123,516 in the previous week. A year ago the weekly production was 116,860.

United States truck production last week totaled 14,113 compared with 19,200 the previous week. A year ago truck output was 29,794 units.

Canadian companies made 6,096 cars last week, compared with 6,249 in the previous week and 6,208 in the like 1952 week. Truck production amounted to 865 units last week, against 829 the week before and 2,355 in the year earlier period.

Business Failures Advance to Highest Weekly Level Since March, 1950

Commercial and industrial failures increased to 218 in the week ended Oct. 29 from 185 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in any week since March, 1950, casualties were considerably heavier than a year ago when 136 occurred or in 1951 when there were 143. Despite this rise, failures were 31%, below the prewar toll of 318 in the comparable week of 1939.

Casualties involving liabilities of $5,000 or more climbed to 189 from 158 last week and 114 a year ago. The upturn was milder among small failures, with liabilities under $5,000. Eighteen concerns succumbed with liabilities in excess of $1,000,000, compared with 15 a week ago.

Wholesale Food Price Index Hits Six-Month Low

Continuing its downward movement, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell another 5 cents last week to stand at $6.49 on Oct. 27. This marked the lowest level in six months, or since May 26, when it stood at $6.47. The current figure at $6.49, compares with $6.33 a year ago, or a rise of 2.5%.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Continues Mild Rise

The general commodity price average continued to trend slightly upward last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 271.73 on Oct. 27, comparing with 271.06 a week earlier, and with 285.21 on the corresponding date last year.

Cash grain markets displayed further strength the past week. The main supporting factor was the belief that high support prices for farm commodities will be retained for next year's crops.

Wheat was also aided by limited offerings of free wheat and some improvement in export demand. The outlook for Winter wheat was reported considerably improved as the result of good rains over much of the drought areas of the Southwest, with additional moisture forecast. Corn prices rose moderately despite a sharp increase in primary market receipts. Sales of all grain and soybean futures on the Chicago Board of Trade two weeks ago increased to a daily average of 51,600,000 bushels, against 47,000,000 the previous week and 50,800,000 a year ago.

Spot cotton prices moved in a narrow range with closing quotations up slightly from a week ago. Moderate mill price-fixing, short covering and continued heavy entries of cotton into the government loan were supporting influences. Bearish features included hedge-selling, profit-taking and continued slow export demand. Reported sales in the ten spot markets increased to 305,800 bales last week, from 264,700 the previous week, and compared with 392,700 in the corresponding week last year. Farmers were reported withholding a substantial proportion of current ginnings from the market.

Mill stocks of cotton at the end of September were about one-third larger than a year earlier.

Loan entries of the staple in the week ended Oct. 16 were reported at 406,700 bales, bringing aggregate entries for the season to date to 1,381,000 bales. Loan repayments through mid-October were 1,100 bales, leaving loans outstanding on about 1,379,600 bales of 1953 crop cotton.

Trade Volume Tapers Off Due to Mild Weather

Shoppers reduced their spending slightly in most parts of the nation in the period ended on Wednesday of last week, as unusually mild weather discouraged the interest in seasonal merchandise.

Retail merchants generally were unable to match the high sales figures of a year ago despite many attractive promotions. However, most retailers expected to enjoy a record Christmas season.

As many merchants strove to keep their inventories at moderate levels, there were some reports of sales lost because of inadequate stocks.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England —2 to +2; East and Midwest —4 to 0; Northwest and South —3 to +1; Southwest —1 to +3 and Pacific Coast 0 to +4.

Food stores generally had larger sales figures than in the similar 1952 week.

The milk strike in the New York metropolitan area sent the sales of canned and powdered milk soaring.

The consumer demand for candy and bakery goods expanded with the coming of Hallowe'en. Housewives trimmed their meat budgets slightly last week; the demand for poultry and dairy foods rose.

While some household goods were increasingly popular the past week, consumers continued to spend slightly less for this merchandise than they did a year ago.

In rising popularity were radios, phonograph equipment, and floor-coverings.

The volume of trading in most wholesale markets in the period ended on Wednesday of last week did not vary markedly from the high level of the week before an unseasonably mild weather weakened the interest in many seasonal items. The total dollar volume of wholesale orders held close to the high level reached a year ago. Many retailers were chary of reordering heavily despite the prevalent expectation that the Christmas selling season would set a new retail volume record.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Oct. 24, 1953, decreased 7% from the level of the preceding week. In the previous week, Oct. 17, 1953, a decrease of 5% was reported from that of the similar week of 1952. For the four weeks ended Oct. 24, 1953, a decline of 5% was reported. For the period Jan. 1 to Oct. 24, 1953, department store sales registered an increase of 2% above 1952.

Retail sales volume last week felt the effects of the warm and rainy weather prevailing in the area and declined about 7% below the volume of a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Oct. 24, 1953, registered a decline of 9% from the like period of last year. In the preceding week Oct. 17, 1953, no change was reported from that of the similar week of 1952, while for the four weeks ended Oct. 24, 1953, a decrease of 4% was reported. For the period Jan. 1 to Oct. 24, 1953, a decline of 1% was registered from that of the 1952 period.

Continued from page 4

A Test of Security Analysis

ties would not deviate very much from their true values.

Purpose of This Study

The purpose of the study is to test security analysis in something like the same way that forecasting has been tested. Clearly we cannot test the reliability of security analysis merely by observing whether the recommended securities rose or fell in price. The results of security analysis must be measured against the general market trend.

The Materials

For some years **"The Commercial and Financial Chronicle"** has included a department known as "The Security I Like Best." Here each week several security analysts each present an analysis of, and purchase recommendation for, a particular security—usually a common stock. Those invited to present analyses are well-known security analysts, usually partners in security firms or senior analysts employed by such firms. These analyses and recommendations are the basic raw material of this study.

A particular recommendation cannot be judged entirely on the basis of whether the market price of the recommended stock rises or falls. The important question is: Did the recommended stock perform better than the market as a whole or the particular stock group? The Standard and Poor's 90 Stock Average and the Standard and Poor's Group Averages were used to measure the relative performance of the stocks recommended.

Method

The data and methods are described below:

(1) The recommendations and analyses included in the department "The Security I Like Best" for the year 1951 were examined and tabulated. All recommendations of bonds or preferred stocks were excluded. It was also necessary to exclude 9 recommendations where price quotations were not available in either the **"Commercial and Financial Chronicle"** or Standard and Poor's Stock Guides. Recommendations of 102 common stocks remained.

(2) Price quotations for the date of publication of the recommendation, and approximately the same date one year later, were obtained from the **"Chronicle."** In cases where the quotation could not be found in the **"Chronicle,"** Standard and Poor's Monthly Stock Guides were used. In these cases the one year "cut-off" period was measured from the nearest month end.

(3) The Standard and Poor's 90 Stock Average and the appropriate group average for the beginning and ending dates for each recommendation were tabulated. In the case of 16 recommendations, the stocks selected did not fit any of the stock group averages available. These included such stocks as American Seating, Lane Wells, North American Refractories, Sheraton Corporation, and Ronson Art Metal. That part of the study dealing with the relative performance of the recommended stocks and related stock group averages includes 86 recommendations.

(4) The percentage change in price in the one year "cut-off" period was computed for each stock recommended. The ending price was adjusted for stock dividends or splits but no attempt was made to adjust for rights. The percentage change in the Standard and Poor's 90 Stock Average and in the appropriate group average for the same period was computed for each stock recommended.

(5) All stocks recommended were tabulated in a single list, but listed and unlisted stocks were so designated in order to permit study of the results of unlisted as against listed stocks recommended.

(6) No attempt was made to adjust for dividends (other than stock dividends) during the period. The basic assumption was that dividends on the recommended stocks and on the stocks in the averages were not significantly different.

Results

The absolute performance of the recommended stocks in the one year test period is summarized in Table 1.

It is not surprising that stocks recommended in 1951 would show increases to comparable dates in 1952. After all, the market averaged a little higher in 1952 than in 1951. A better comparison is between the performance of the stocks recommended and the performance of the market as a whole.

Table 2 below compares the results of investment in the 102 recommended stocks with investment in the stocks making up the Standard and Poor's 90 Stock Average for the same time intervals.

The very slight difference shown in favor of the recommended stocks is without question not large enough to be significant. This is particularly true in the light of the fact that more recommended stocks did worse than did better than the averages. A reasonable conclusion is that investment in the stocks recommended would have yielded results that would have been approximately the same as investment in the averages.

That the stocks recommended by the security analysts did no better than the averages may appear to indicate a somewhat mediocre result. But it can be argued that, in this particular period, to do as well as the averages is, in itself, something of an accomplishment. The current wisecrack that "nothing has gone up but the averages" is, of course, not true. But it does contain a modicum of truth. The 1951-52 market was essentially a "blue chip market" and many studies have shown the rather impressive number of stocks that declined in this period. Since the "averages" are largely made up of the blue chips, it is undoubtedly true that the whole market—including secondary stocks—has not done so well as the averages. Moreover, it is not unreasonable that the analysts invited to participate should consider it their obligation to pick "sleepers" among lesser known secondary stocks. As a matter of fact, casual examination of the list of recommendations shows a disproportionate number of secondary issues. Under these circumstances, to equal the performance of the averages is perhaps a quite satisfactory performance.

Which Industry Versus Which Company

There are two basic parts to the selection of a stock to be recommended for purchase. These involve answers to the two questions: Which industry? Which company? The selection of the industry is essentially economic analysis rather than security analysis. Table 2 above which compares the performance of the recommended stocks with the averages measures the ability of the analysts to make the economic analysis necessary to select the industry as well as the further analysis necessary to select the right company in the industry.

The best test of security analysis would seem to be to compare the performance of the recommended stocks with the performance of the relative group averages. Suppose we set up two hypothetical funds. With one fund we invest $1,000 in every stock recommended at the time it is recommended; at the same time, with the other fund we invest $1,000 in the Standard and Poor's Group Average of the industry represented by the recommended stock. This test cancels out the effect of industry selection and serves to measure the ability of the analysts to select the company.

For this analysis it was necessary to eliminate 16 stocks as having no appropriate group average. This analysis, then, included 86 stocks. The elimination of these stocks did not significantly change the nature of the sample. The 86 stocks showed an absolute gain for the year of 11.4 per cent as against 10.4 per cent for the larger sample. The performance relative to the Standard and Poor's 90 Stock Averages was also nearly the same as for the larger sample. Purchase of the averages instead of the recommended stocks would have produced a gain of 9.4% as compared with a gain of 11.4% for the recommended stocks. Accounting partly for the slightly superior performance of the 86 stock sample was the thumping 162 per cent gain on Northern Pacific. While this recommendation was included in both samples it, of course, had a greater impact on the average per issue in the case of the smaller sample.

Table 3 below compares the results of investment in the 86 recommended stocks with investment in the related Standard an Poor's Group Averages for the same time intervals.

It would appear that this analysis demonstrates a positive value for security analysis. The gain from investment in the recommended stocks would have been substantially greater than from investment at the same times in the group averages. It is not at all clear that these analysts were particularly successful in picking the industry; it does seem clear that they were quite successful in picking the company.

Most Successful Selections

It is perhaps of interest to note the recommendations that would have shown greatest profits. It should be kept in mind that a one-year "cut-off" date was used, and in a few instances there have been substantial price movements subsequent to the date of assumed sale. For example, Howe Sound was recommended at 57 in 1951 and a year later was 85½. But the present equivalent price on this stock is 39. As a matter of fact, while this arbitrary "cut-off" date is necessary, it probably does mean that in some cases the analyst could do (and perhaps did do) a better job than would be indicated by the single year result. In some cases he might have urged sale in some period short of a year at a higher price; in other cases perhaps a year is too short a test period.

Some of the most successful recommendations on the basis of the one-year test period are shown in Table 4.

Listed Versus Unlisted Recommendations

It is interesting to compare the performance of the listed with the unlisted stocks recommended. There were only 24 unlisted stocks in the sample of 86 for which group averages were available, but the consistency of results perhaps indicates that this was an adequate sample.

The actual performance of the 86 listed and unlisted stocks recommended is summarized and compared in Table 5.

Within the limits of the sample, the performance of the unlisted stocks recommended was rather consistently superior to the listed stocks recommended.

Table 6 below shows the performance of the 86 listed and unlisted stocks recommended in relation to the performance of the Standard and Poor's 90 Stock Average.

The unlisted stocks recommended performed better than either the listed stocks recommended or the Standard and Poor's 90 Stock Average. But still a slight majority of the 24 unlisted recommendations failed to do as well as the averages. The greater gain shown by the unlisted stocks is probably not statistically significant in view of the size of the sample. This difference would be eliminated if the three unlisted recommendations with the greatest gains were excluded. Under these circumstances we cannot conclude that the unlisted recommendations outperformed the Standard and Poor's verage.

The gain of 9.4% shown for the averages is the gain that would have resulted from investment in the averages on the date of each of the 86 recommendations and one-year holding. This does not mean that the averages increased by this percentage from any one date to one year later.

The performance of the 86 listed and unlisted stocks recommended in relation to the performance of the related Standard and Poor's Group Averages is

TABLE 1

1951—	Total No. Stocks Recommended	No. Stocks in Test Period —Which— Increased in Mkt. Value	Decreased in Mkt. Value	Aggregate Percent. Points Change	Average Percent. Chg. Per Issue
1st Quarter	29	19	10	+359.3	+12.4
2nd Quarter	24	10	14	+285.8	+11.9
3rd Quarter	27	15	12	+186.6	+ 6.9
4th Quarter	22	18	4	+225.9	+10.3
Total	102	62	40	+1,057.6	+10.4

INTERPRETATION: Although 40 of the 102 stocks recommended showed decreases in the year following publication of the recommendation, the 102 stocks as a whole showed an average increase in market value of 10.4%. If an investor had invested $1,000 in each issue recommended and sold each issue one year from date of purchase, the total capital gain would have been $10,608 (10.4% x $102,000).

TABLE 2

1951—	Total No. Stocks Recommended	No. Cases Where Stock Recommended Performed Better than S.& P. 90 Stk. Avg.	Worse than S. & P. 90 Stk. Avg.	Avg. Gain from Recommended Stocks	Average Gain from S. & P.'s Stocks	Recommended Stocks Advantage
1st Quarter	29	15	14	12.4%	11.2%	1.2%
2nd Quarter	24	9	15	11.9	9.9	2.0
3rd Quarter	27	7	20	6.9	9.3	—2.4
4th Quarter	22	13	9	10.3	7.8	2.5
Total	102	44	58	10.4%	9.7%	0.7%

INTERPRETATION: In 58 cases it would have been more profitable to buy the Standard & Poor's 90 Stock Average than to buy the stock recommended. In 44 cases the recommended stock would have shown greater profit than the averages. Over all the recommended stocks would have given a slightly greater gain than the averages. The stocks selected in the third quarter of 1951 failed to perform as well as the averages.

TABLE 3

1951—	Total No. Stocks Recommended	No. Cases Where Stock Recommended Performed Better than S.& P. 90 Stk. Avg.	Worse than S. & P. 90 Stk. Avg.	Avg. Gain from Recommended Stocks	Average Gain from S. & P.'s Stocks	Recommended Stocks Advantage
1st Quarter	23	17	6	11.8%	—3.5%	15.3%
2nd Quarter	19	8	11	17.3	7.4	9.9
3rd Quarter	23	11	12	6.9	0.0	6.9
4th Quarter	21	15	6	10.6	4.1	6.5
Total	86	51	35	11.4%	3.5%	7.9%

TABLE 4

Stock	Recommended by	Date	Increase in Period
Northern Pacific	William G. Kahlert *Jamieson & Co.,* St. Paul, Minn.	Apr. 5, 1951	162%
Kerr McGee Oil	Carl Stolle *G. A. Saxton & Co.* New York	Aug. 2, 1951	100
Ferro Enamel	Warren A. Casey *Hecker & Co.* Philadelphia, Pa.	Mar. 15, 1951	91.7
Miles Shoe	Clarence E. Unterberg *C. E. Unterberg & Co.* New York	May 24, 1951	50

TABLE 5

	Total Number of Issues	Issues Which in 1-Year Period Incr. in Price	Decr. in Price	Average Increase Per Issue
Listed	62	34	28	10.0%
Unlisted	24	17	7	15.4
Total	86	51	35	11.4

TABLE 6

	Total Number of Stocks Recommended	Number of Cases in Which Stock Recommended Performed Better than S. & P. 90 Stock Avg.	Worse than S. & P. 90 Stock Avg.	Average Gain	Gain from Purch. of S. & P. 90 Stock Avg.
Listed	62	25	37	10.0%	--
Unlisted	24	11	13	15.4	--
Total	86	36	50	11.4	9.4%

TABLE 7

	Total Number of Stocks Recommended	Number of Cases in Which Stock Recommended Performed Better than S. & P. 90 Stock Avg.	Worse than S. & P. 90 Stock Avg.	Average Gain	Gain from Purch. of S. & P. 90 Stock Avg.
Listed	62	35	27	10.0%	--
Unlisted	24	16	8	15.4	--
Total	86	51	35	11.4	3.5%

summarized in Table 7 below. The gain shown for the Standard and Poor's Group Averages is the gain that would have resulted from investment in the related group average instead of the stock recommended and holding for a one-year period.

The performance of the recommended stocks (both listed and unlisted) was superior to that of the related group averages. This seems to indicate that, while there is no evidence that these analysts were especially expert in the selection of the industry, they were able to do better than an average job of picking the company. The data reflected in Table 6 indicate that the analysts were more successful in picking the company in the case of unlisted than in the case of listed stocks. Perhaps this is due to the fact that frequently the unlisted issues are less well known and the analyst has an opportunity to unearth information not widely known. In other words, it is possible that there are relatively more "sleepers" among unlisted than among listed issues and that aggressive and intelligent analysts are sometimes able to uncover them.

Summary and Conclusions

Within the limits of the sample, the following conclusions concerning the security analyses presented in "The Security I Like Best" in 1951 seem justified.

(1) While these analysts were by no means infallible, a better than average result was achieved.

(2) Evidence is lacking that the analysts were especially skillful in selection of the industry.

(3) But the evidence indicates that the analysts were able to do a significantly better than average job of selecting the company within an industry.

(4) The analysts were significantly more successful in selection of unlisted than of listed stocks.

Lawrence V.-P. of N. Y. Stock Exch.

G. Keith Funston, President of the New York Stock Exchange, has announced the appointment of Ruddick C. Lawrence as a Vice-President of the Exchange.

Mr. Lawrence, appointed by the Board of Governors, will be in charge of coordinating and developing the efforts of the Exchange with its member firms in market research, advertising, public relations, planning. He comes to the Exchange from the National Broadcasting Company where he was Director of Promotion, Planning and Development for both the television and radio networks. Previously he was with Time, Inc., as Associate Advertising Manager of "Fortune Magazine."

With A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Earl A. Bedford has joined the staff of A. C. Allyn and Company, Inc., Grand Rapids National Bank Building.

Joins Morton Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William O. Sexton, Sr. is now with B. C. Morton & Co., Penobscot Building. He was previously with Smith, Hague & Co.

J. W. Kaufmann Admits

Jay W. Kaufmann & Co., 111 Broadway, New York City, members of the American Stock Exchange, on Nov. 1 admitted Richard M. Bolton to general partnership and Courtney V. Parkinson to limited partnership in their firm. On the same date Robert E. Rich retired from the firm.

Continued from page 16

Impact of a Recession On Commercial Banks

This rate, currently 3¼%, should provide for:

(1) a reserve for losses which are to be expected if risks are to be taken;

(2) the cost of credit investigations and loan administration;

(3) a fair share of overhead, including the cost of acquiring deposits to lend;

(4) a reasonable profit.

It is doubtful that a banker could be found who would argue that 3¼% goes beyond adequate provision for these four factors. It would be almost as difficult, however, to find a banker willing to predict that the prime rate would hold at 3¼% indefinitely.

The "Wall Street Journal" reported interviews on this subject with bankers attending the A.B.A. Convention. The story began with quoted comments by three bankers from Louisville, Seattle and New York City:

"By mid-December we'll have money running out our ears."

"We're really going to be hunting for loan business by the first of next year."

"I don't see how interest rates can possibly hold at present levels for many more months."

The banker response presented an interesting psychological contrast to recent statements by Crawford H. Greenewalt, President of E. I. duPont de Nemours & Company, Benjamin F. Fairless, Chairman, U. S. Steel Corporation, and other industrialists on the foolhardiness of predicting ourselves into a depression. It would be unwise to stick our heads in the sand and ignore the trends of credit demand and money rates. We can, however, take a tip from other industries which, when confronted with temporary surpluses of non-perishable goods, **don't** insist on immediately reducing prices regardless of costs to the level at which supply and demand will again be in balance. For example, the oil industry is not currently involved in a price war notwithstanding the existence of surplus stocks. Nor can it be argued that self discipline cannot be expected of 14,000 independent banks, most of them small. By and large, the smaller banks are quite sensible in their rate policies. The chief offenders are usually the largest banks which, whether they like it or not, set the pattern.

Prime Bank Rate Not High

One might also ask "is the present prime rate high from a historical point of view?" Here again the answer must be in the negative. According to the Federal Reserve Chart Book the prime commercial paper rate fell below 4% in only one year of the period 1866 to 1929 inclusive. Moreover in only five of the 64 years did the prime commercial paper rate fall below the index of yields on high grade railroad bonds. During the abnormal period following 1929, devaluation of the dollar, the heavy inflow of gold, and an easy money policy in general exerted their influence on money rates with the result that the prime commercial paper rate declined to the ridiculous level of ½ of 1% in 1940. Since that time it has gradually risen to the present level of 2¾%, ½% below the so-called prime commercial borrowing rate.

The timeliness of this discussion is given emphasis by the current strength in the entire high grade bond market. In the short interval since June 4, yields on 91-day Treasury Bills have declined from 2.42% to 1.58%. Sharp price advances have also been registered in intermediate and long-term issues although dealers concede that activity is still predominantly professional. This market rise holds rather serious implications for commercial banks, not only with regard to its effect on investment income, but also as to its influence on loan interest rates.

However, a review of the historical relationship between bond yields and short-term loan rates tends to refute the idea that they must move in concert. When and if the prime loan rate is broken it will undoubtedly be on the initiative of individual banks, and not because of any irresistible pressure from without the banking system itself. A few weeks ago it was rumored that a large Eastern bank was about to take such action. It was difficult to credit this rumor in view of the fact that the institution named was a leader in the unsuccessful campaign not too many months ago to gain exemption of commercial banks from application of the Excess Profits Tax. The same reasons given for such exemption should discourage any voluntary reduction of a rate which by no stretch of the imagination can be called a penalty rate. That the Comptroller of the Currency shares this view was indicated in his recent statement: "Interest rates have risen, but they are still at a very moderate level, and it would be difficult to find evidence that they have slowed up the pace of business activity."

Should there be some slackening of loan demand, and that appears to be a reasonable expectation, it is exceedingly doubtful that a reduction in the prime rate would have more than an insignificant effect on the total volume of borrowing. Nor should any bank entertain any illusions as to the efficacy of rate cutting in increasing its share of the available business. Moreover, rates are currently so low that further reduction would deserve little consideration by those seeking means of "priming the economic pump" should that be thought necessary. It is to be hoped also that the Federal Reserve authorities will objectively evaluate the overall economic benefits of an extremely easy money policy with due regard to the effect of such a policy on our commercial banking system.

Bank Services Should be Realistically Priced

Realism should characterize the pricing of all banking services. This requires a knowledge of costs and a determination to recover them, plus a reasonable profit. Service charges on deposit accounts, and fees for trust and other services will appear low in many instances when judged by this standard.

Two other implications of a business readjustment which should receive the attention of commercial bankers might be classified under the general heading of "Losses on Earning Assets," and "Public Relations." Particular attention should be paid to loans dependent on "good times" for their prompt liquidation. Failure to deal realistically with such marginal credits under circumstances such as exist today serves neither the borrower's nor the bank's best interests. It is not suggested that the borrower be thrown overboard but that a positive program be adopted which will permit an orderly work-out of the loan. Banks which have not taken full advantage of the privilege of setting up tax deductible reserves for loan losses should not delay longer in doing so.

Securities portfolios should be carefully reviewed in anticipation of budgetary problems which appear certain to confront many municipalities and other public borrowers before too long. There has been a tendency on the part of too many investors to take the credit factor for granted in the purchase of such securities, particularly if maturities were rather short.

Turning briefly to the public relations aspect, we should continually remind ourselves that public good will is more easily lost than regained. The soundness and reasonableness of commercial bank credit policies and practices during a period of business readjustment will determine the amount of outside competition that will be inflicted upon us thereafter. At the moment, the trend is toward contraction of Government intervention in the financing field and we should endeavor to accelerate it. A constructive lending policy should inject a stabilizing influence during a period of business readjustment, whereas an unduly restrictive policy might aggravate the situation and at the same time make commercial banking the object of renewed political attacks.

The period just ahead promises to test the mettle of commercial bankers. Resourcefulness, vision, and a lot of common sense will be called for. They may, in fact, be the price of survival of banking as we have known it in America.

Securities Salesman's Corner

By JOHN DUTTON

Establishing Customer Goodwill

Successful securities selling involves more than the mere ability to make a sale. By this, I mean that you must also sell securities that will not come back some day and "bite you." Selling the wrong type of securities to the wrong people, selling the right securities but at the wrong time, allowing some securities to stay "put" too long—these are the almost unavoidable incidents which seem to be part and parcel of the securities business. The long-term cycles come along and can wipe out years of effort to establish customer goodwill.

It was once said that the life of a security salesman's clientele is about five years. I don't know if this is true, but there is continuous deterioration and constant rebuilding is always necessary. However, the main consideration which seems uppermost at this time, is to find a method of protecting those accounts which form the backbone of your business against a major business reversal, if and when one takes place.

Your own opinions regarding the business and economic outlook should, of course, be your guide as to the recommendations you make to your clients. But it is only prudent to realize that we are now sitting right on top of the longest and most intensified period of inflationary business and monetary expansion in our history. Some day there must come an economic readjustment of major proportions. This will happen unless the entire course of human history has been changed. Without being an alarmist or taking a positive position either way, isn't it possible to put some of your customers in as strong a defensive position as they can afford at this time, and meanwhile keep them still invested to some extent in attractive yet volatile situations? At least, if they understand the purpose of arranging their affairs in a sensible manner, isn't it a logical conclusion that you will have clients left with buying power and courage even after a severe collapse? By hedging in this manner you win both ways—if conditions remain good they still hold some good common stocks, if reverses come they have assets that will retain their dollars values.

Admittedly, there are all kinds of security buyers. There are those who give you orders and do not wish suggestions. I just heard of one investor who told his broker to invest $35,000 in about 75 different common stocks which he had selected. The broker bought them and collected some substantial commissions. This investor wanted it his way—he got it! There are also the perpetual optimists, including those who want to take the last top dollar out of every market swing, and others who resent any suggestions of conservatism and caution. There isn't much you can do in such cases but let these customers have their own way and hope for the best.

Your other clients, however, might be very much interested in an invitation to come into your office where you can discuss their investment position in its entirety with them. You might even find it desirable to schedule a few interviews in the evening in your own office. You can really get at the facts and work out a constructive relationship with a customer at a time like that. Among your present accounts there are probably some who are doing business with several other firms. This could give you an opportunity to control all the business if the interview was handled properly.

The retail securities business is such that, no matter what happens, and with all of its ups and downs, you can always find a constructive reason for doing business. The majority of people are reasonable and they do not expect the impossible, but there is one thing they will value above all else, and that is a sincere appreciation of their position and their problems. It will pay in the long run to build as solidly as possible now.

Phila. Inv. Women To Meet Nov. 16

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its regular dinner meeting on Monday, Nov. 16, in the Sylvania Hotel at 6:15 p. m. The speaker will be Dr. Alfred Kidder, 2nd, associate director of The University of Pennsylvania Museum, and panelist on the television program "What In The World."

Chicago Analysts to Meet

CHICAGO, Ill.—The Investment Analysts Society of Chicago will hold their regular luncheon meeting on Thursday, Nov. 12 in the Georgian Room at Carson Pirie Scott & Co. James H. Coolidge, Vice-President and Treasurer of Thompson Products, Inc. will address the group.

"International Paper Company" will be the subject of the meeting to be held Dec. 10.

With Wm. C. Roney Co.

(Special to THE FINANCIAL CHRONICLE)

KALAMAZOO, Mich.—Mrs. Margaret B. Schau has joined the staff of Wm. C. Roney & Co., 137-141 East Michigan Avenue.

Continued from page 12

Atomic Energy—A Look Ahead

lift the iron curtain sufficiently to make any plan effective.

Cannot Rely on Promises

What then must we do? It is clear that we cannot rely upon mere promises. As the Disarmament Commission report says, "A state which flouts the charter to make war cannot be relied upon to honor any lesser promise as to how it will wage war." We must realize that we are dealing with a power whose word alone cannot be trusted. Perhaps there is some plan not yet thought of—a workable plan which would be agreed to by the Soviet. I certainly hope so. Frankly, there is little in the history of the past few years to justify such hope. But I think, nevertheless, that we must keep trying to find some solution. The present effort to secure a conference on German and Austrian problems is commendable. Leaving the door open for broader conferences between Russia and the West is all to the good. Constant exploration of schemes to reach international control of armaments and to find means for preventing aggressions should be an all consuming pursuit of all nations.

But I should like to speak of something else, namely, the problem which faces the world before such agreements and implementations of them can be achieved.

In the absence of Soviet participation in a control plan we are faced always with the possiblity of further Soviet aggression. With Korea fresh in our minds we must be not only physically prepared to resist aggression but mentally prepared as well.

And on this score, I think the time has come when we must be very clear and very blunt in our dealings with the Soviet. I know that I shall be misunderstood when I say this for there are so many people in the world today who will not face a fact if even for a second it diminishes a hope —who won't face a premise that disturbs a preconceived comfortable conclusion. I want no good hope dampened but I do insist that we can no longer drift with a stream that takes us down to the sea. It is high time we set our noses into the current.

We will disturb the equanimity of some who insist that force settles nothing, even though employed to preserve the rights and lives of people who believe that force settles nothing. It is my conviction that the most forceful step ever taken by the United Nations was its decision to resist the North Korean aggression, thus implementing the high pronouncements of the charter. I think more implementation is needed today.

About two weeks ago in a talk which I gave in New England I suggested that it was high time that we face up to the problem stemming from the tremendous build-up of the Russian war machine. I suggested that it was high time that we face up to the fact that within two years the Russians would have the capability virtually to obliterate this country if they made a surprise attack with atomic weapons. I suggested that it was high time that the United Nations consider the advisability of setting forth bluntly a few of the premises and principles which must be recognized before we tackle the answer to this problem of our survival. Many people have asked me what some of these premises are.

First, in today's era of modern weapons and planes faster than sound, distance loses much of its value as a defensive barrier. The aggressor can act swiftly. For the first time in our history we in fact share a common border with a powerful potential enemy.

Cannot Afford Another War

The second, I think, is that the world can ill afford another world war. If it comes it will destroy a good part of what we seek to preserve.

The third is that if such a war should emerge weapons of great mass destruction will inevitably be utilized. I believe it is naive to think that if anyone of the free countries is forced to fight for its survival it will use bows and arrows when it faces loaded guns.

The fourth is that the world cannot tolerate local aggressions. It cannot do so simply because of the great likelihood that they will emerge into world wars. The fact that the Korean War was localized tends to mislead us. The forest of this world grows smaller each year and the timber becomes drier. We cannot run the risk of small fires on the theory that they won't spread on to consume and involve all of us. We should have learned that at Serajevo in 1914, and again in 1939 when Russia crossed into Poland.

If the world cannot tolerate aggression it follows that aggressions must be crushed speedily and this should be so stated by the free countries of the world in no uncertain terms. Never must there be another aggression launched on the assumption there will be no risistance to it.

These are but a few of the principles upon which our ultimate answer must be based. If these premises be valid, and I believe them to be, let's be prepared, if need be, to implement them. I believe that the time has come to make Russia understand that if she moves in any quarter of the globe she will be struck and struck hard, not simply at the front line of her aggressive troops but at every element which supplies those troops.

Let's make it clear to them that, hating aggression, we intend to crush it before it spreads to this country and to the free countries of the world—that we want no war on our soil; our allies want none on theirs.

Let's remind them over and over of the number of lives and casualties which we paid to demonstrate in Korea, our belief in this principle.

Let's tell them and mean it, that while we hate the thought of using atomic bombs, the next Soviet aggression must be regarded as an invitation to use them, if need be, to stop the aggression. Let's make it plain that if Russia moves directly or indirectly in Korea, the Middle East or the Arctic tomorrow we not only will but we must destroy the vitals of such a movement—every marshaling yard, every supply depot, every contributory industrial population; and she must be made to understand that we cannot do this with bows and arrows and bodies.

Let's tell them that we want peace, a fact which we have demonstrated year in and year out throughout our history, and we want it so badly we won't tolerate another aggresion.

No Debate Over Definition

Let's tell them we will tolerate no debate as to the meaning of aggression. Such debate might take years. We'll know aggression when we see it. But if there be any doubts on this score let's make it plain that it is an aggression when a mortar or weapons carrier from the Skoda works of Czechoslovakia is found next to a dead man from the western world. That's enough! It is enough when a MIG, employed to assist an aggression, can be traced to a Russian factory.

President Eisenhower and many other thinking people have stated that the world today very badly needs some evidence—some deeds to support the Russian contention that it wants no war. Certainly if such evidence does not come soon, the importance of such a declaration as I have suggested increases as each day passes.

Are we prepared to do this? Is the U. N. prepared to back such principles? I think it must be so prepared and I think it must be unequivocal in stating its intention. In any event, I think it must commence discussion of these premises and these principles.

The warning was sounded thousands of years ago in an age when a single weapon could not destroy an entire city.

"Woe unto the world because of offenses, for it must needs be that offenses come; but woe to that man [and I think we must add "that nation"] by whom the offense cometh."

Continued from page 14

Expanded Trade and World Peace

With our highly mechanized industry and agriculture, we have a substantial competitive advantage over most of the world in most major industrial products and many farm products. With only about one-sixteenth of the world's populations, we account for almost one-half of the world't total production of goods and services. Sometimes our immense productivity results in surpluses. Often we are unable to produce all that we could produce, or to sell all that we do produce. And at the same time most of the world's hungers for the products of American farms and factories which it cannot afford to buy, because it just doesn't earn enough dollars to pay the bill.

If we want an expanding economy, if we want high levels of production and employment, if we want an ever-increasing standard of living—and it is my impression that we do—then the growth of our foreign trade is a matter of real practical interest to all of us. We must convert our potential world markets into real markets for the many goods we want to sell.

Moreover, our domestic industry has become increasingly dependent upon foreign sources of raw materials. That dependence will sharply increase in the years ahead. Our ability to buy foreign raw materials at the lowest possible cost will be important in maintaining an expanding economy at home.

Thus we stand to benefit greatly from a trade policy which will permit us to import more things at lower cost, and ultimately to sell more and more of our goods abroad. In broad terms, the benefits of increased trade greatly outweigh the drawbacks.

The great bulk of American industry will gain directly and indirectly from an expanded export market.

Industrialists Should Favor Expanded Trade

In other words, on a basis of pure self - interest, almost all American industrialists ought to declare for expanded trade.

By the same token, many, many more workers are employed in the industries which need more exports than are employed in the industries which might suffer from more imports. With expanding trade, competition might eliminate some jobs, but increased exports would create many more.

American workers, on a basis of pure self - interest, should be strongly in favor of expanded trade.

And how about the farmer? The United States is a net exporter of agricultural goods. In many major commodities, the export market means life or death for the farmer. In 1952, for example, we exported nearly 40% of our total production of cotton and tobacco, and about one-third of our wheat.

Mr. Herschel Newsom, Master of the National Grange, has pointed out the recent dangerous decline in farm exports. He reports that in the past 12 months, as compared to the previous period, cotton exports have dropped 52%, wheat 30, tobacco 32, lard 40, dairy products 30, and some specialty crops, such as apples, as much as 70%. But even more important to the farmer than the export market is his market in the industrial city—and expanding trade is one effective way of promoting continued high employment and prosperity in the industrial city.

Once again, on the basis of pure self - interest, the farmer should be fighting for his stake in expanded trade.

And finally we come to the consumer—which is every one of us. The consumer is really hurt by tariffs. He digs down deep to pay taxes for foreign aid programs which could be largely abandoned if we expanded our trade sufficiently. He pays more for a great many things be buys because of direct tariffs, or because of tariffs on imported parts and materials which go into American manufactured goods.

The American consumer ought to be 100% for less restrictions and more trade.

But to many of our people these considerations seem rather remote. Unfortunately, it seems pretty hard to show people how their immediate interests are affected by foreign trade.

Those relatively few producers who face serious competition from imports are well aware of their personal interests in this trade issue. But the great bulk of American producers are not affected so directly by the raising or lowering of trade barriers. They may overlook the fact that all American industry and agriculture is linked in an economic chain, and that seemingly distant and unrelated tariff increases may damage them.

A manufacturer of leather wallets may successfully petition Congress or the Tariff Commission for barriers against imports of wallets. As a direct result, several foreign countries may retaliate against many other American commodities — say cigarets, candy or shoelaces. The domestic producers of these goods will suffer directly from loss of exports and from increased competition at home. Yet it would be pretty hard to convince those fellows that, in their own self-interest, they should have opposed the protection of leather wallets in the first place.

So we usually find ourselves speaking in generalities about the impact of foreign trade on the domestic economy, on industry, on agriculture, or on labor, without somehow hitting the individual businessman, farmer and worker right where he eats.

It seems to me, then, that the hope for building effective support for a liberal trade policy lies in translating these general statements into bread-and-butter terms for thousands of American producers. It is encouraging to hear that the Committee for a National Trade Policy plans to take that hard-headed approach in its educational efforts.

The Nature of the Protective Sentiment

Now let's look at the other side of the coin. I think we must try to analyze the nature of protectionist sentiment—high tariff sentiment—and look for constructive solutions for the special problems which a liberal trade policy would create.

There seems to be a good deal of confusion in people's minds about the effect of any significant tariff reductions on specific industries and agricultural products. Actually, a lot of study has been given to this subject. In fact, the subject has almost been studied to death.

One recent study speculates about what would happen if we abruptly dropped all our tariffs, import quotas and other barriers to trade. It concludes that the increase in imports would range from $1,200,000,000 to $2,500,000,000 at the most.

How would that small increase affect our domestic producers? Actually, it would affect only a very few of them seriously. All of the industries which might conceivably face some displacement from those new imports had—in 1951 figures—a gross product of some $4,000,000,000, or slightly more than 1% of our gross national product. Of that 1%, presumably a very small part might actually be put out of business if we knocked off all existing barriers—and that would be an extreme case indeed.

As a matter of fact, it is clear that the adjustments necessary to adapt production to the new imports, in that very extreme case, would be no greater than those which normally accompany technological change. Each year hundreds of new firms go into business and go out of business because of technological advances—and all of us accept that as the normal and healthy operation of free economic forces.

We live in times of swift change. The blacksmith and the harness maker have been thrust aside by the automobile, but none of us would really like to return to the primitive methods of communication and the lower living standard of the horse-and-buggy age. The trade of the world is carried across the seas, not by windjammers, but by the swift freighters of the 20th century. The telephone, telegraph and radio are everyday methods of communication. All of these have increased the nation's business a hundredfold over the days when they did not exist. Through such forces as these civilization is marching forward in generations instead of in centuries.

But these forces have also enormously complicated our lives. They have reduced oceans to the comparative size of ditches and have made neighbors of what used to be widely-separated nations and cultures. Whether we like it or not, this is a fact that is with us to stay, and the question is not whether it exists but whether we are going to face up to it.

We Must Soon Decide on Liberal Trade Policy

We must decide whether we are for or against progress. As I see it, not only are there no impossible hurdles in the way of an up-to-date trade policy, but there are very urgent reasons for having one.

However, the fact that the number of firms which would be affected—and the number of men and women who work in them—is very small certainly does not mean that their plight should be of only casual concern to the rest of us.

It does mean that the problem can be dealt with and fairly, with sympathetic understanding, and without—at the same time—com-

promising a sound trade program. It does mean that while there might be pin-point dislocations, the national economy as a whole will not be disturbed.

In some cases, all that will be needed to prevent these isolated dislocations is a gradual reduction of tariffs, which would give a company time to adapt to new market conditions, just as many capable firms have been able to adapt themselves to drastic technological changes.

In the case of industries which cannot adapt themselves, other measures may be needed.

If substantial tariff reductions were made in the national interest, the burden of sacrifice would fall upon a small group of producers. And hardship might be suffered in communities where such producers are concentrated.

In such hardship cases, it might be appropriate to consider direct government assistance in the form of loans and grants. Such assistance would either maintain essential defense production or help specific producers to adapt themselves to new circumstances.

The Tariff—A Form of Subsidy

Actually, the tariff is a form of subsidy. Although I certainly am no advocate of government aid, if we are going to have any kind of subsidy, I say let's have the least costly and most direct kind. To use a classic phrase, perhaps we should substitute "the rifle-shot of subsidy for the shotgun blast of tariffs." If a subsidy is necessary, it should be brought out into the open and be subject to public scrutiny.

That way, we will know exactly whom we are helping and how much it's costing us, and we will avoid the present system which, heavily disguised, penalizes the many in order to help the few.

A serious flaw in the present trade legislation is that it fails to provide any means for weighing the factor of national interest in the determination of tariff rates; by the same token, it fails to provide for indemnifying, financially or otherwise, a producer who suffers injuries in the national interest.

Inclusion of such provisions in a new tariff law should go a long way toward easing some of the fears which now exist.

Actually, it is mainly fear of the unknown which has caused much of the current opposition to an expanded trade program. Many of our high tariff advocates actually may have nothing to lose —they may even benefit from increased imports, but they don't know it.

Some of them are in industries which are hard pressed by technological advances—such as the displacement of natural fibres by artificial fibres, the substitution of oil and natural gas for coal. Although many industries in this group may face no significant foreign competition, they are naturally sensitive to any threat of added competition. They may tend to oppose all and any tariff lowering on the theory that the smallest chink in the wall is a direct threat to them.

Finally there is a minority which is motived mainly by a selfish desire for a closed market. Considerations of national interest mean nothing to this group. They just don't give a damn, as long as they get theirs. And I, for one, see no reason why they should receive any more consideration than they give.

I have no idea of pointing the finger of shame at people who are, or believe they are, fighting a life-and-death struggle. Certainly we all sympathize with those producers whose labor costs per unit are so high that they cannot compete with lower paid foreign labor.

But when you get right down to it, the importance of this trade issue goes far beyond whether we shall have a few billion dollars more or less of exports and imports. It has implications which make our purely selfish interests seem petty and irrelevant by contrast.

Our Leadership of Free World At Stake

What is really at stake is our ability to lead the free world and to further the most crucial interests of our nation in international affairs.

We cannot hope to unify the free-world militarily and politically if at the same time we divide it economically.

A protectionist trade policy is divisive. It sets a very bad example for others whom we have been urging to abandon the restrictive practices which they employ. In the eyes of the world, it is basically isolationist. If we allow the present drift toward economic isolationism to dominate our policies, we will rapidly reach a point where we cannot lead, others will not follow, and the whole fabric of free-world cooperation could fall apart at the seams.

Let's remember that while our trade policies may not seem critically important to us, they are exceedingly important to our friends. As an economic giant, the little things we do have vast repercussions abroad.

Let me say here that I feel very strongly that our efforts to relax trade barriers will be of real value to the world economy only if our foreign friends are equally diligent in relaxing their own trade barriers. I realize that the United States, because of its strong trading position, is the logical leader of the effort to expand trade. But obviously we cannot do the job alone. Others must be willing to work with us in freeing world trade, and in developing a more favorable climate for private investment in their own countries.

Finally, it seems to me, that the long-range implications of our tariff policy are even more important than its short-range impact.

World War II accelerated new and vital forces of a vastness which we are only now beginning to grasp. In Latin America, it set off economic development which is rapidly raising the living standards of that area. It awoke the slumbering civilizations of the Far East and stimulated the development of Africa's resources.

Clearly, within the foreseeable future—within the active lives of most of us here and certainly in our children's time—these areas will account for a far larger part of the trade and wealth of the world than they do today.

The long-term question which confronts us—leaving aside the problem of war or peace—is how we are going to live with these growing areas.

Must Abandon Our Rich Trading Position

Shall we conclude fearfully that we must abandon our rich trading position in the world and hide behind tariff barricades?

Or shall we regard this growth as opening untold new opportunities for mankind? Shall we see vast new markets opening not only for existing products but—perhaps even more important—for products which do not yet exist, and which the United States will be better able to create than any other nation in the world?

If we follow that course, we will move ahead staunchly in the traditions which made us strong. We will face the competition of others. We will take advantage of opportunities as they arise. And in so doing we will grow in stature and the American people will prosper.

Most of us here are businessmen. Most of us believe that there is no standing still in a competitive economy. Either we advance, or we decline. The same holds true in the community of nations.

This decision on foreign trade policy, then, is the forerunner of the larger political decisions which will determine whether we are to continue as an effective, constructive force in the free world or whether we are to retreat into splendid—and stagnant—economic and political isolationism.

Make no mistake about it, this trade question is the key issue of United States foreign economic policy today.

The world of free nations is looking to us—not just to our government, but to us, the American people—for something more than our economic and military power. They are hoping to find in the American people the imagination, the courage and the moral and spiritual leadership which the world so desperately seeks.

If the private leaders of American industry, labor and agriculture are able to work together well enough to do the tough but not impossible job which is staked out for us, I am sure the whole free world would be immensely heartened.

In this trade issue we face a practical, political problem. Its dimensions are manageable. If those who believe in a policy for expanding world trade are willing to back up their convictions with actions, I am sure that this country will have such a policy in the near future.

I believe that if we succeed in this first job, if we take this first step, then there is real reason to hope that we will be able to take those more demanding steps which may lie ahead.

I want to urge all of you, therefore, to give vigorous support to the Committee for a National Trade Policy. This is your chance and mine to make a real personal contribution to the national welfare, to the stability of the economies of friendly nations through trade instead of aid, to international cooperation and to peace.

Bennett, Smith Merges With Hornbl'w'r Weeks

DETROIT, Mich. — Hornblower & Weeks, members of the New York Stock Exchange, announce that coincident with the dissolution of Bennett, Smith & Co., Detroit brokerage firm, as of October 30, eight former partners and registered representatives will become associated with the Detroit office of Hornblower & Weeks. They are: Harry W. Kerr, J. Albert Mahoney, Robert W. Stoetzer, George L. Faulkner, Percy P. Newman, Earl D. Mahoney, Robert H. Stoetzer and Jerome E. J. Keane.

Five With H. Hentz

(Special to The Financial Chronicle)

MIAMI BEACH, Fla. — Daniel W. Bowen, Wendell J. Brown, Charles S. Goldy, L. E. Lanford, and George M. Wilson have become associated with H. Hentz & Co., 414 Seventy-First street. Mr. Bowen was previously with Barham and Company; Mr. Gold, Mr. Brown and Mr. Wilson were with Francis I. du Pont & Co.

Harris, Upham Adds

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Kenneth R. Shupp is now with Harris, Upham & Co., Johnston Building.

With Inv. Service

(Special to The Financial Chronicle)

DENVER, Colo. — Carol O. Boggs is now associated with Investment Service Corporation, 444 Sherman Street.

Joins Ryan, Sutherland

(Special to The Financial Chronicle)

TOLEDO, Ohio — Richard T. Howe is now with Ryan, Sutherland & Co., Ohio Building.

Continued from page 6

Outlook for the Domestic Economy

Burgess, Folsom, Humphrey, and the rest of the group, believe in paying as you go.

In any event government spending is a sustaining force, but it is not going to stimulate the economy. It is merely not an area of major weakness.

(2) **High Level Incomes:** There is no doubt about the fact that we have the highest level of personal income and disposable income, which is income after taxes, that we have ever had in the history of our country. But of course this is true at the top of every boom, and in the past that fact has not stopped a subsequent decline. What I have to say about the negative factors will have a significant impact upon incomes. At this point I will merely say that incomes will remain high, but not as high as they are now, even after allowing for the $3 billion tax cut which individuals will experience starting January 1.

If we should have a smaller volume of employment, obviously total wages and salaries will be reduced. I don't think there is any question about the fact that total farm income is not going up. I would suspect that total dividend payments will show very little change in 1954. On balance, I believe that we will have a cut in personal income, but it will still be high.

A Fall in Corporate Profits Forecast

(3) **High Level of Corporate Profits:** I know some of you will say that corporate profits aren't high, that they are pretty low; but the fact is that in the past year we have had about 10 or 15% increase in corporate profits, and this gives some support to business spending, and hence at this point must be listed on the plus side. However, I think that corporate profits are going to fall sharply next year. This factor could have been included on the negative side.

(4) **The Backlog of Orders:** Last September, the total backlog of orders reached approximately $76 billion, and it is still pretty close to $70 billion. In the meantime, total sales have gone up. The result is that instead of having a total backlog which was equal to about 7½ months a year ago, we now have a backlog which is equal to five months, and it is very rapidly shrinking. This, too, is a typical pattern at the peak of a boom. Unfilled orders begin to be reduced, and the relative importance of these orders, in terms of current sales, tends to grow smaller. Yet, you cannot ignore the $70 billion. Thus, I have included this on the plus side, although it is beginning to lose some of its potency.

(5) **Business Has Been Following Conservative Buying Policies:** Even though inventories have increased, the extent of speculation in inventories, which has characterized many past booms, has not characterized this one. The net result is that not only business, but consumers as well, have not been overloading themselves with inventories and hence don't find themselves with the same type of liquidation problem which developed in past booms.

(6) **Change in Institutional Arrangements in Our Economy:** This factor receives a great deal of attention. We often hear that we cannot have a major cutback in business because we have old age security payments, which will bolster income; we have unemployment insurance, which will bolster income; we have farm price supports, which will hold up farm income. We have a heavy reliance upon personal income taxes, which means that as income goes down, the decrease in government revenues will be much greater, so that the government will have a deficit, and that will act as a stimulating force.

But notice, you must have a decrease in activity before these things happen. You don't pay the unemployment insurance unless people haven't got jobs, and you don't pay the old age security unless people who haven't got jobs begin to retire in larger numbers. You don't get the stimulating effect of a government deficit if you don't have a cut in incomes, which means a cut in revenues. So this is one of those series of factors which is more significant in terms of limiting the magnitude of a decline rather than in supporting high level activity Yet many people talk about these factors as though it means that the economy cannot go down.

Actually these institutional changes provide a limiting factor to any decline. It doesn't stop the decrease. It merely means that you have more support higher up, and that the extremes of decline are thereby moderated.

(7) **We Have Had a Series of Rolling Adjustments Since 1951:** We had a bad situation, as you know, in textiles. We had reductions in activity in the consumers' durables on several occasions. We haven't had a steady boom with all of the accumulation of maladjustments.

Now I have looked awfully hard to find plus factors. I wish I could give you more plus factors, but these are all I can find.

The Negative Side

Let us turn to the negative side.

(1) **Construction of New Homes:** It is pretty clear that the volume of housing, residential construction, is going down. Here are some of the facts.

The number of families living doubled up in 1946 was close to three million. Now it is well under a million and a half, and much below what it was before the war. You don't have to find a million and a half or a million and three-quarter homes to take care of families who are living doubled up. The demand to take care of undoubling has been almost fully met.

At the end of the war, we had marriage formation at the rate of 1,600,000 families a year. We are now down to 900,000, and we are going down to about 700,000. How do we know? It is very simple. You see, the baby crop in the 30's was very small, and the babies of the 30's are the marriageable people of 1955 and '56 and '57. Since we have a smaller number who are of marriageable age, we know the number of increases in families will be smaller than it is today. You understand that some special development could push forward a few marriages or push them off, but as a general proposition, the statement I just made will stand up.

Another factor: Since 1940, we have increased the number of non-farm housing units in this country by more than 50%. We have increased population by 28%. These are not the ingredients out of which you make a housing boom. These are the ingredients out of which you have a decrease in housing.

The Rise in Money Rates

I am not going to give too much emphasis to the rise in money rates. I doubt if the recent increase in mortgage rates will be

Continued on page 38

Continued from page 37

Outlook for the Domestic Economy

reversed. If these rates stay ½ of 1% higher, that will cut off a few potential buyers. However, the basic fact is that potential buyers are going to be cut off because they aren't there, not because they cannot afford to buy.

These are the facts. You can blind yourselves to them if you want. You can kid yourselves about the enormous replacement demands to take care of all the old homes. We also had that in '31, '32, and '33, and '37, and '38. Let us not confuse the constant factors with the dynamic ones. I am trying to give you the dynamic ones. I might add that during a period when economic activity is slipping off, is not the time when everybody rushes out to remodel his house.

(2) **Inventories Are High:** I don't mean high in terms of sales. In terms of sales, they don't look too bad. Of course, if sales go down, they would look very burdensome. But there is another aspect of inventories that I want to call to your attention. It is very important. That is the contribution that inventory accumulation makes to jobs and current levels of production.

Here are the figures for the second quarter, just to show you the problem.

In the second quarter, we had a total gross national product of about $372 billion, and we had inventory accumulation of about $9 billion. This meant that we had final sales of about $363 billion. Now, if inventory accumulation stops and there is no change in final sales, gross national product would automatically drop to $363 billion. If, instead of inventory accumulation there were liquidation of inventories, then this would become a minus factor and GNP would fall still further. In other words, if inventory accumulation turned into inventory liquidation, you get a double impact on your gross national product. Instead of producing enough to meet current needs **plus**, you produce enough to meet current needs **minus**. The drop in GNP in the third quarter to which I referred earlier reflected, in part, in large part, a decrease in the rate of inventory accumulation to an annual rate of $5½ billion, so you begin to see part of its effect.

In 1949, all of the decrease in gross national product plus was accounted for by a swing in inventories from plus $7 and a fraction to minus $5 and a fraction billion. In other words, that $12 billion swing took care of the over-all drop from peak to bottom in gross national product. This gives you some idea as to how important inventories are.

In my judgment, we will not continue to expand inventories.

A Dynamic Situation

Now this is a very dynamic situation. When you substitute for a dynamic expansion either a neutral no-change or a decrease, you must inevitably have a very serious impact upon GNP and jobs. In this illustration, somebody loses jobs and when those somebodies lose jobs, they don't spend as much money on final consumption. Therefore I think there is a little loose thinking in the frequently made statement: "Well, we will have a setback in the durables, and in investments, but we will have an increase in consumer buying to take up the slack."

Well, maybe we will. This will be a good trick. It hasn't been pulled many times. If there are fewer steelworkers and fewer automobile workers, and fewer electrical workers with jobs, and fewer construction workers, believe me, gentlemen, it is going to be pretty tough to sell more to consumers.

(3) **The Poor Farm Outlook:** I didn't say the poor farmer. There is a big difference, because the poor farmer has been doing pretty well. It is the poor farm outlook with which I am concerned. The farmer had an income that ran close to $18 billion in '48. Last year he fell down to about $14.8 billion, and this year it is estimated at about $13½ billion. This year, as you know, there has been a decrease of a little more than 10% in farm prices, and a very modest increase in marketings, and the net result is a decrease of about 6% in farm receipts.

For 1954, we have already scheduled cuts in cotton and wheat. Unless Mother Nature plays some very nasty tricks, this will take care of the volume of marketings for next year, but if that doesn't, the fact that we marketed more livestock than we normally would this year because of the drought would indicate a reduction next year, because some of those animals would have been marketed next year.

The decrease in farm income, therefore, is a negative factor. I don't have to tell you that even though farm income before the war may have been running about $4 billion, and it is now up to $13 billion, people act in terms of trends. In other words, if we find the trend is downward, the farmer is going to pull in his horns a whole lot faster than that trend. You don't have to take my word. Just query International Harvester or any of the large companies. If you don't believe what they say, just look at their securities.

(4) **Private Debt:** In talking about debt, most people get rather confused. They are like the three blind men and the elephant. One fellow grabbed a leg and thought it was a tree. The other grabbed the trunk and thought he had a snake. And the third one grabbed the tail and thought he had a rope.

There are three aspects of debt. One, what happens when you create it; two, can you carry it; and three, can you repay it? Those are three different things. When you talk about the business outlook, you are concerned primarily with the first.

I am not telling you that people cannot carry the current debt. I am not telling you that people cannot repay the debt. I suspect that most people will do so. I do say that we cannot continue to expand consumer credit at the rate of 25% a year. In that connection may I remind you of the illustration in connection with inventories, as to what happens when you have a small plus or a minus instead of a large plus.

The very fact that we will probably sell fewer homes, and that we will sell fewer cars in 1954, makes certain that private debt will not increase as much as it has recently, because that is the area of debt creation. I might add that some people who talk about this area, say: "If you don't spend it for cars, you will spend it for clothing." I don't agree with this forecast. Cars are bought with credit, and you don't go out and borrow the money to buy the clothing. It is quite a difference. You don't rush out to borrow to buy food, vacations, etc. It is an entirely different operation. People aren't accustomed to buying those things on credit.

Apart from the fact that there is danger in the fact that we have increased our private debt from $140 billion to over $340 billion in the last seven years, apart from the fact that we cannot possibly hope to continue to expand consumer credit at the rate of 25% a year, we have the additional fact that some of the areas of the economy where credit buying is important will experience lower volume. That means that debt creation will be smaller, and instead of getting a plus of $25 or $30 billion, we will get a smaller plus. That is a negative factor in the business picture. It is exactly the same as the change in inventory.

(5) **Reduced Plant and Equipment Expenditures:** This could have been put on either side, yes-but or no-but. I put it on the no-but, because I think the trend is going to be downward. Plant and equipment spending has stayed up through most of 1953. Frankly, it stayed up a little longer than I thought it would. It didn't increase very much, but it stayed high. But the evidence is beginning to mount that a decline will take place in 1954. It has already been announced that the accelerated amortization certificates for next year will only be a small fraction of what they were this year. We know the steel program is substantially complete. We know the railroad program is practically complete. We know the expansion of plant and equipment for most types of armaments, except certain types of electronics and airplanes, is pretty much complete. The only question is, how long can commercial construction offset the types of decreases that are taking place or will take place in other types of construction? Of course, I should have included public utilities in that expanding area.

Plant and Equipment Expenditures

For the fourth quarter, the SEC and the Department of Commerce who compiled these estimates have forecast a decrease in plant and equipment expenditures from the annual rate of $28.4 billion in the third quarter to $27.1 billion in the fourth quarter. That $27.1 billion, incidentally, will be about the same as the fourth quarter of last year.

This area is one that will be turning downward. This is a very dynamic area. But whether it turns down or not, it is pretty clear that this is not going to be an expanding area. My own judgment is that it will be down. Whether it will decrease 20%, as some people forecast, or 10 or 15%, isn't as important as the fact that it will be down.

(6) **The Decrease in Metal Prices:** The sensitive price index, (22 sensitive commodities) published by the Bureau of Labor Statistics, has been making new lows. That index is now below the level prevailing before the Korean war started. So it is with the Dow Jones Index, and the Moody Spot Index is getting down pretty close to it.

Steel scrap dropped from $44 a ton down to $35 a ton in a matter of six weeks. This is not unimportant. This is one of the most sensitive barometers we have. There are very few instances I have been able to find where steel scrap prices have dropped this much with no accompanying decline in the steel industry. I think various steel officials are on solid ground in their recent statements that when steel drops from 100% capacity down to 95 or 90, this isn't so bad for steel. That's right. You know, in 1949, we made a survey of the industry and found that only in six months in the entire history of the industry had it operated at 100% of capacity. Up to that time, there were only six months in the entire history of the industry, when reported operations were at 100%, believe it or not. The steel industry still does well at 90 or 95% of capacity. However, from the point of view of the economy, we cannot ignore the fact that a decrease of 5 or 10% means fewer jobs or less overtime.

I suspect that steel operations which are at 95% of capacity, are going to decline further as a result of the curtailment of auto production, housing, and new plant equipment. I assume you are aware of the fact that the steel figures are based upon capacity as of Jan. 1, 1953. They only change the capacity figures once a year. So obviously, if you have a figure based on capacity in 1953 in January, and you add four or five million tons capacity, what is 95% as of Jan. 1 becomes 91 or 92% of what is Oct. 14. The fact is that the steel industry in 1953 had the benefit of the build-up of inventories required after the strike in the summer of 1952. Moreover, the steel industry is now going after orders. This return to competition, is reflected also in the resumption of freight absorption announced recently. This return to competition portends a lower level of activity than we have had. The fact is that volume is moving in the wrong direction in terms of the general economy, and the men who lose their jobs cannot add to consumer purchasing power.

I mentioned the fact that sensitive prices have been declining, and that this barometer is at its low since Korea. It has been going down since February, 1951, so it is not the sole conclusive fact. But it usually indicates that there is some weakness in demand when this index goes down, and I am particularly impressed with the fact that it has been the metals that are weak.

(7) **Exports:** Of course, you know that since the end of the war the overwhelming majority of our export balance has been largely financed by loans and gifts. We are not going to give and lend quite as much in the period ahead. Therefore, it follows we won't have quite as much of an export balance. This is on the negative side.

(8) **The Automobile Industry:** The automobile industry is a very intriguing one, because the same people in the industry who couldn't see anything less than seven million cars six months ago now have estimates running as low as five million. That is the lowest estimate by Lincoln-Mercury this morning. Last week they were only down to 5.2 million. It shows you what one week will do. This year the industry is producing about 6¼ million cars. The highest estimate for next year is General Motors, 5.9 million. That is down 5%. The others are down about 15. I buy the 15. I will tell you why. Consumers have been spending about 13 cents of each dollar for automobiles.

Normally, they spend under 10 cents. In fact, they never spent above 10 cents until 1948 or '49. In 1951, it was 11.7%, and in 1952, it was 11.2%.

Now you may say, "Well, it is only a difference of 2%. Why give any attention to that?" The answer is that it is 2% of $250 billion, and that is $5 billion and possibly more; that is something to worry about.

In other words, the automobile industry has been getting an excessively large share of the consumer's dollar. It could not hope to continue to receive that share. These figures are available over the years. While there may be permanent changes that may be as much as 2 percentage points over a period of years, such large changes rarely stay in effect on a year-to-year basis, because our buying habits are pretty well fixed. The automobile industry couldn't hope to continue to get 13 cents out of the consumer's dollar. This alone would have been enough of a warning. Moreover, a few studies made by the Department of Commerce and others show that the normal demand for automobiles is between 5 and 5½ million. We also cannot ignore the fact that new car purchases are financed to the extent of about 70% on consumer credit. We cannot expect that consumer credit would continue to increase at that rate.

In Dallas, you can get a car there and get a year's supply of gasoline for free. Another fellow was giving away a television set.

Last summer, I was interested in an ad in Salt Lake City. Several dealers were advertising that if you bought any car built in 1946 or later, you could have any pre-1946 car on the lot for $10. We used to call that a penny sale. I suppose the automobile industry calls it a $10 sale. This is only symptomatic of what all of you know. No matter what radio station you turn to, you hear, "My name is Joe Doakes; I have 25 cars I must get rid of by Saturday night. No price is too low. Come and see me."

This week it is a different ad. "My name is Joe Doakes. I sold all those cars last week. I have got some new ones. Come in and see me."

The automobile industry is a very important industry. The automobile industry has a tremendous impact upon steel, rubber, glass, etc. When the automobile industry produces 5 or 5½ million cars, or 4½ million cars instead of 6 million, gentlemen, I find it difficult to get too optimistic.

Now there are some people who have been saying that all that we face is a combination of a decrease in automobiles, housing and other hard goods. I can't buy this interpretation because these happen to be the crucial part of the economy. This happens to be the area where the fluctuations take place. This business of "all we are going to have is a small setback in housing, automobiles, steel and hard goods," is the silliest statement I have heard. I don't recall any situations where you have large declines in these areas and nothing else happened. These are the vulnerable areas, always have been, and I suspect always will be. In the worst times, we consume as much food, but we pay less for it. We consume practically as much clothing, but pay less for it because of what happens in these areas.

The point is that these are the dynamic areas. These are the important areas.

And so I cannot buy the statement that "all we face is a decrease in these areas." Frankly, I cannot think of anything that could be more negative. These are not little small or unimportant industries. When you face a setback in steel, you are talking about an important segment of manufacturing. When you are talking about automobiles, you are talking about an industry which directly or indirectly employs well in excess of a million people. When you talk about 5, 10, 15 or 20% cuts in those areas, you are talking in terms of hundreds of thousands of people, and this is not something that you can talk about lightly. And so I list all of these on the negative side.

The Impact of Truce in Korea

One other point, though, gets a lot of attention, although by this time it has been exploded, and that is the end of the Korean war. That has had little impact on the economy; any event which is forecast for two years has little impact. Everybody gets adjusted to that sort of thing. I don't believe the recession which I believe we are heading into is due to the ending of the Korean War. I think it is due to an overexpansion which was taking place before the Korean War ended. We

couldn't under any circumstances suddenly jump from under 10% to 13% of the consumer's income going for cars and hope to continue it. All of our studies over the years show almost without exception that the rate of spending is fairly constant. I could take you through industry after industry. Sharp changes don't last. You cannot blame that on a Korean War. The peak in new housing was reached last February on a seasonally-adjusted basis. In fact, it was reached almost three years ago (1950), if you want to be accurate. You cannot blame that on something happening in the summer of 1953. I cannot buy the Korean War as the excuse for what is happening. We were overexpanded. We had a boom-boom, and we are now setting down from that boom-boom.

One other point should be noted in order to have perspective on this problem. I think you have to have some framework of reference, some bench marks against which to measure what is going on. Suppose, for example, we have a 10% setback. Just let me indicate the impact of such a setback in terms of unemployment. We now have roughly 5% in hours worked overtime in manufacturing industries. When the workers in the manufacturing industries work 40½ hours, that is about two hours overtime, because the way the figures are compiled, a 40-hour week shows up at 38+. The reason is absenteeism, and the fact that you get most of your heavy industries working on an hourly basis, and so on.

The first 4 or 5% of any setback could take the form of a reduction in overtime. Little or no loss of jobs need take place. I know of course that some companies will continue overtime, and hence that workers in other companies will lose jobs. But looking at the picture in the over-all sense, the first 4 or 5% reduction in activity could take the form of just a cut in overtime.

We now have unemployment at the rate of 1,246,000; normal, flexible unemployment will run at least 2½ million, just to take care of seasonal unemployment, shifts from job to job, the unemployables, illness, and so on.

So the next 2% could take us up to 2½ million, because a million increase against a 60 million base would be roughtly 2%.

In other words, if we had a 10% setback in production, the volume of unemployment, in all probability, would still be in the neighborhood of about 3½ million or possibly 4 million. It wouldn't be 6 or 7 million. It will be somewhat higher than frictional unemployment. This is what I mean by getting perspective. This is what I think many people mean when they make the speeches and say, "We won't have a depression." Time and time again they say we won't have a depression. "All we will have is a readjustment." What they mean is that we won't have a repetition of the post-1929 period, not that we won't have a setback, because we are having a setback, and that setback is going to continue. I don't think it will be anything like the serious setbacks of the past. I think it will be confined prettly largely to major inventory adjustment, plus the impacts of automobiles and housing, and I think it is going to last through all of 1954.

Townsend, Dabney Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John F. Palmieri is now with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

With Josephthal & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON Mass. — Samuel H. Ehrlich is now with Josephthal & Co., 19 Congress Street.

Continued from page 3

Debt Limit Increase Needed To Solve Treasury's Problems

the debt limit. This is another financial inheritance which is causing concern. After passage by a large majority of the House, the Senate Finance Committee last August refused to approve the Administration's request to raise the statutory debt ceiling.

We said then—and we say now—that a higher debt limit will enable the government to better handle its fiscal affairs. It does not in any sense mean that we are not working vigorously for economy. We have demonstrated that we have accomplished reductions in spending as rapidly as we can safely do so.

The existing law requires the payment of the bulk of corporation taxes in the first half of the calendar year. When this law was first enacted a few years ago it substantially increased government receipts in the first half of that calendar year, which was the last half of the fiscal year, and served to substantially reduce a budget deficit at that time.

The practice was then inaugurated—and there is no way to correct it now—of issuing tax anticipation notes in the fall when tax collections are low, against anticipated receipts in the spring when tax collections are high.

The result of this practice means that now government borrowing goes up in the fall and comes down in the spring, which automatically forces temporarily increased borrowing for at least a six-month period.

This fixed inheritance from the past, which there is no way to correct under present conditions means that in spite of all we can do, the present debt limit is too restrictive.

This condition was foreseen by the President, who in his State of the Union Message two weeks after he had assumed office, noted that before the end of fiscal year 1954 the total government debt might well exceed the debt limit.

By careful handling, and barring any unexpected demand for large additional sums of money, it now appears that we will barely get through the present period and until the Congress returns in January without exceeding the ceiling.

The Problem of C.O.D. Orders

Third, there is the inheritance of what I like to call the C.O.D. orders. This is one of the most troublesome — and least understood — legacies this Administration inherited. When the new Administration assumed office, it found on the government's books some $80 billion of orders placed by the former Administration from one to three years previously for goods which will be delivered during this year, next year, and even the year after—and which must be paid for when received. These orders are in general too far committed to reduce or cancel and must be met with payments in cash for which no provision was previously made. This is all in addition to the other expenses of government. Payment for these large C.O.D. orders, for which no money was provided, is a major factor in our present problem of raising cash. It is an important factor in the twin problem of the debt limit. This large C.O.D. inheritance is also, of course, a major reason why it is impossible to balance the budget quickly.

A **fourth** financial inheritance is the habit of extravagance in government in many places. Some government agencies are of course, well run and perform unquestionably essential functions, but there are others which have acquired habits of extravagance which must be curtailed. We are continually probing to see if each activity is really necessary for the good of the American people or if it is merely a self-perpetuating expenditure because once established for some alleged special need or experimental objective. There is also often extravagance and waste which can and should be eliminated even in the case of indispensable functions.

This Administration is trying—and succeeding slowly — in generating a new spirit of dollar consciousness on the part of all government personnel, both civilian and military. We believe that all government agencies must remember that every cent they spend comes not from some unknown pool of wealth but is taken from the toil and the savings of American citizens who are thus deprived of having that money which they earned to spend for themselves.

The Tax Problem

Fifth is the financial inheritance of an almost staggering tax problem. The inherited obligations that I have cited and current operations of the government can be paid for only with taxes — or borrowing. If we are to get our financial operations under control, they must be met with taxes rather than additional deficit financing to the greatest possible extent. Therefore, our inheritance in the field of taxation is a vital area requiring most careful future planning.

Tax reduction is desired by all, and over a period is essential to the continued vitality of our entire economy. America, as the land of opportunity for the young, eager for work and ambitious to improve their positions in life, cannot long endure under the repressive tax burdens which we inherited. But taxes can only be reduced as expenditures are curtailed, and expenses can only be cut as consistent with the maintenance of a balanced posture of defense adequate to our needs to meet the dangers with which we are threatened.

Excessive planned deficits were implicit in our inheritance. There was a deficit of over $9 billion in the year we came in. There was a planned deficit budgeted for us when we arrived of $9.9 billion for our first year in office. This soon increased to $11.5 billion through overestimating income. Fortunately, we have been able, by untiring efforts of every branch of the government, to cut this deficit to a present estimate of less than $4 billion. Because of this reduction, and only because of it, we have been justified in reducing some of the most burdensome taxation. The excess profits tax will expire on Dec. 31 and will not be renewed. Personal income taxes will be reduced by approximately 10% at the same time. That is definitely determined, but when and to what extent further tax reduction can be made effective depends entirely upon the course of future expenditures, in which of course our security is the major element.

Our entire tax system, however, is being revamped so as to reduce inherited obstacles to growth and incentive and correct unfair provisions and inequalities. This program is the joint undertaking of the Treasury and the Ways and Means and other Congressional committees. There are many desirable changes which should be made. We hope to accomplish some of them. But loss of revenue can only be limited in amount, and each proposal must be carefully evaluated. We cannot afford as much reduction as we all would like immediately, but our ambition is to establish a pattern of reduction on which a modest start can promptly be made with provision for future additional reductions in taxes as rapidly as reductions in expenditures indicate that they are possible.

These then are some of the specific areas in which we have inherited financial problems. They are deeply entwined with both foreign relations and military decisions. Real solution of each is interwoven with the solution of each of the others. That is why the achievement of real peace is the supreme purpose of this Administration.

What Peace in America Demands

In the word peace, are all our dreams and all our fears.

Danger to peace is danger to all.

The prayer for peace is the prayer for America. No government can proclaim it, no Congress can enact it, no group of nations can declare it.

Peace for America demands these things:

First: A defense of the nation strong enough to impress upon any would-be aggressor the folly of attack.

Second: An economy strong enough not only to sustain such a defense but also to allow Americans to enjoy the fruits of their own toil and genius.

Let us examine each in a little detail.

First: Military defense.

This means much more than a matter of size and numbers.

Certainly it begins with a readiness to spend and to sacrifice whatever is necessary — and I repeat whatever is necessary—for a logical, ordered and balanced defense program.

But this is only the beginning.

What must be sought is this: the finding of the ideal middle way between extremes which—on the one side — would stupidly cheat our defenses to save money, and —on the other side—would amass weapons and strength with an abandon that would wreck our economy—and hence our nation—without a gun ever being fired.

This is not merely economic sense. This is military sense, and best of all it's common sense.

We live in an age witnessing a revolution in the technique of arms and armies, and in the creation and production of all weapons for defense.

In such an age, there is one certain way to invite disaster: to commit a nation's whole resources and productive machine today to the abundant production of weapons that may be obsolete tomorrow.

In such an age, there is only one way to avoid disaster: to be ready for the danger of today—while continuing to develop industrial power that can be swiftly directed to meet a newer and different danger tomorrow.

This, I repeat, is a middle way.

It has its analogy in our foreign policy—where we steadfastly seek a course that is firm, prudent, and bold, without ever being belligerent.

So we seek a defense program that is effective, without being extravagant — carefully planned, and economically executed.

Such a defense does more than take account of the needs of our economy. It depends upon our whole economy—for the greatest strength, not only for ourselves but for the whole free world, is nothing other than the power and potential of American mass production.

This truth is known throughout the world.

It is known to our enemies—for their greatest hope lies in an American depression.

It is known to our friends—for their greatest fear is such a dread event.

How has your present government applied this knowledge?

In these ways:

First: We have placed our faith firmly in the genius of American initiative and enterprise — and we have showed that faith by removing from our economic life, needless stifling controls.

Second: We have set the course of the Federal Government firmly toward the soonest possible balancing of the budget—as an indispensable battle in any serious war against inflation.

Third: We have redirected the monetary policy and the management of the public debt so as to give the American people their first hope in a decade of having sound, honest American dollars to spend and to save.

Fourth: We have committed ourselves to achieving, within limits dictated by essential defense needs, those reductions in taxes which are indispensable to the vigor of our economic life.

Our policy is fixed and determined. It is flexible only in its execution. Our objective is definite, but our progress toward it realistically recognizes and adjusts to the changing conditions in which we must operate always toward the attainment of the same goal. We have made no change in either policy or objective, notwithstanding reports to the contrary.

Such policies and objectives serve not only the needs of our economy but no less the needs of America's defense.

A strong economy and a strong defense do not compete with one another—except in the fairyland of partisan demagogues.

Together—and only together—the two promise a strong America, an America that can know true peace.

The search for this peace, however, goes far beyond immediate demands of military defense, and a prosperous economy.

This search is impelled by full awareness that this world ultimately must find a way to ease the burden of arms and of fears that now weigh upon men of all nations.

And so, knowing all this, we stay strong in arms today—we keep our economy geared to meet any emergency—we weigh every military and economic decision—all in the fervent hope of soon being able to use our strength to serve the needs rather than the fears of all mankind.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 8	§92.9	*94.6	95.2	105.9
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 8	§2,094,000	*2,132,000	2,146,000	2,200,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 24	6,220,250	6,310,950	6,486,450	6,537,700
Crude runs to stills—daily average (bbls.)	Oct. 24	¶6,830,000	6,366,000	6,880,000	6,938,000
Gasoline output (bbls.)	Oct. 24	23,615,000	24,263,000	23,916,000	22,301,000
Kerosene output (bbls.)	Oct. 24	2,277,000	2,678,000	2,362,000	2,493,000
Distillate fuel oil output (bbls.)	Oct. 24	9,900,000	10,393,000	9,757,000	10,531,000
Residual fuel oil output (bbls.)	Oct. 24	8,163,000	8,263,000	8,062,000	8,497,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 24	142,666,000	142,796,000	142,484,000	120,767,000
Kerosene (bbls.) at	Oct. 24	37,394,000	37,653,000	36,924,000	34,212,000
Distillate fuel oil (bbls.) at	Oct. 24	132,767,000	130,902,000	126,217,000	121,286,000
Residual fuel oil (bbls.) at	Oct. 24	52,633,000	53,103,000	51,936,000	54,101,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 24	804,413	822,539	819,709	760,773
Revenue freight received from connections (no. of cars)	Oct. 24	665,931	664,545	669,259	653,270
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 29	$358,366,000	$289,333,000	$382,583,000	$276,859,000
Private construction	Oct. 29	262,008,000	149,576,000	258,724,000	129,365,000
Public construction	Oct. 29	96,358,000	139,757,000	123,859,000	147,494,000
State and municipal	Oct. 29	87,888,000	115,805,000	98,659,000	69,328,000
Federal	Oct. 29	8,470,000	23,952,000	25,200,000	78,166,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 24	9,275,000	9,515,000	9,660,000	2,170,000
Pennsylvania anthracite (tons)	Oct. 24	682,000	676,000	682,000	1,000,000
Beehive coke (tons)	Oct. 24	83,900	80,400	87,400	27,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 24	113	118	114	122
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 31	8,361,593	8,306,426	8,414,452	7,752,925
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 29	218	185	189	136
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 27	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Oct. 27	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Oct. 27	$34.17	$32.83	$31.50	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 28	29.700c	29.625c	29.325c	24.200c
Export refinery at	Oct. 28	28.875c	28.600c	28.025c	34.900c
Straits tin (New York) at	Oct. 28	81.000c	80.000c	82.500c	121.500c
Lead (New York) at	Oct. 28	13.500c	13.500c	13.500c	13.500c
Lead (St. Louis) at	Oct. 28	13.300c	13.300c	13.300c	13.300c
Zinc (East St. Louis) at	Oct. 28	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 3	95.61	95.80	95.27	97.10
Average corporate	Nov. 3	106.04	105.69	103.97	109.06
Aaa	Nov. 3	111.07	110.88	109.06	113.12
Aa	Nov. 3	108.34	107.80	105.86	111.81
A	Nov. 3	105.86	105.17	103.64	108.70
Baa	Nov. 3	99.52	99.36	98.09	103.30
Railroad Group	Nov. 3	103.97	103.47	102.30	106.21
Public Utilities Group	Nov. 3	106.04	105.69	103.64	109.24
Industrials Group	Nov. 3	107.98	107.80	106.21	112.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 3	2.81	2.79	2.85	2.70
Average corporate	Nov. 3	3.39	3.41	3.51	3.22
Aaa	Nov. 3	3.11	3.12	3.22	3.00
Aa	Nov. 3	3.26	2.29	3.40	3.07
A	Nov. 3	3.40	3.44	3.53	3.24
Baa	Nov. 3	3.78	3.79	3.87	3.55
Railroad Group	Nov. 3	3.51	3.54	3.61	3.38
Public Utilities Group	Nov. 3	3.39	3.41	3.53	3.21
Industrials Group	Nov. 3	3.28	3.29	3.38	3.06
MOODY'S COMMODITY INDEX	Nov. 3	394.0	393.7	399.4	411.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 24	213.773	220.232	226.801	200.915
Production (tons)	Oct. 24	262,973	261,213	257,907	242,598
Percentage of activity	Oct. 24	97	97	98	97
Unfilled orders (tons) at end of period	Oct. 24	463,706	516,972	481,985	472,987
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 30	105.92	*106.00	105.58	109.39
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Oct. 17	19.206	20,145	34,976	26,290
Number of shares	Oct. 17	564,675	579,679	976,867	732,341
Dollar value	Oct. 17	$24,127,498	$24,339,678	$37,936,203	$32,785,362
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 17	18,247	17,731	28,379	20,503
Customers' short sales	Oct. 17	183	228	435	167
Customers' other sales	Oct. 17	18,064	17,503	27,944	20.336
Number of shares—Total sales	Oct. 17	521,120	497,206	847,733	582,964
Customers' short sales	Oct. 17	5,896	10,185	16,293	5,742
Customers' other sales	Oct. 17	515,224	487,021	831,440	577,222
Dollar value	Oct. 17	$20,106,330	$19,087,496	$31,222,876	$23,704,017
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 17	153,190	148,970	241,900	189,990
Short sales	Oct. 17	------	------	------	------
Other sales	Oct. 17	153,190	148,970	241,900	189,990
Round-lot purchases by dealers—					
Number of shares	Oct. 17	226,120	229,530	363,740	304,250
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Oct. 10	299,380	318,720	221,030	171,340
Other sales	Oct. 10	4,748,390	4,991,020	4,503,390	5,606,060
Total sales	Oct. 10	5,047,770	5,309,740	4,724,420	5,777,400
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 10	544.350	575,640	411,160	527,680
Short sales	Oct. 10	113,500	119,040	80,560	91,680
Other sales	Oct. 10	426,070	458,290	377,710	414,320
Total sales	Oct. 10	539,570	577,330	458,270	506,000
Other transactions initiated on the floor—					
Total purchases	Oct. 10	145,950	155,450	74,100	118,830
Short sales	Oct. 10	16,470	23,200	9,900	5,100
Other sales	Oct. 10	128,330	157,700	87,930	141,800
Total sales	Oct. 10	144,800	180,900	97,830	146,900
Other transactions initiated off the floor—					
Total purchases	Oct. 10	182,447	174,005	189,375	224,988
Short sales	Oct. 10	33,600	38,990	36,430	24,850
Other sales	Oct. 10	218,809	199,302	165,350	263,530
Total sales	Oct. 10	252,409	238,292	201,780	288,380
Total round-lot transactions for account of members—					
Total purchases	Oct. 10	872,747	905,095	674,635	871,498
Short sales	Oct. 10	163,570	181,230	126,890	121,630
Other sales	Oct. 10	773,209	815,292	630,990	819,650
Total sales	Oct. 10	936,779	996,522	757,880	941,280
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 27	110.0	110.0	110.7	110.3
Farm products	Oct. 27	94.3	*94.5	98.1	104.5
Processed foods	Oct. 27	104.5	*104.2	104.8	106.2
Meats	Oct. 27	87.0	87.4	92.6	101.1
All commodities other than farm and foods	Oct. 27	114.6	114.6	114.6	112.4

*Revised figure. ¶Includes 586,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE—Month of September (000's omitted)	$1,235,300	$221,000	$1,166,500
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of August 31:			
Total consumer credit	$27,434	$27,217	$23,030
Instalment credit	21,058	20,854	16,728
Automobile	10,067	9,908	7,272
Other consumer goods	5,314	5,308	4,539
Repair and modernization loans	1,494	1,476	1,258
Personal loans	4,183	4.162	3,659
Noninstalment credit	6,376	6,363	6,302
Single payment loans	1,986	1,938	2,026
Charge accounts	2,670	2,705	2,579
Service credit	1,720	1,720	1,697
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC.—(1947-1949=100) Month of September	132.6	133.7	127.0
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of September	702,425	725,849	737,054
In consuming establishments as of Sept. 26	1,296,811	1,235,885	987,851
In public storage as of Sept. 26	5,852,917	3,723,732	4,039,064
Linters—Consumed month of September	121,971	121,423	88,254
Stocks Sept. 26	1,041,594	990,302	581,537
Cotton spindles active as of Sept. 26	20,039,000	20,063,000	20,056,000
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Oct. 1:			
Production 500-lb. gross bales	15,596,000	15,038,000	15,144,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Sept. 26	22,944,000	22,851,000	21,432,000
Spinning spindles active on Sept. 26	20,039,000	20,063,000	20,056,000
Active spindle hours (000's omitted) Sept.	9,044,000	9,279,000	9,708,000
Active spindle hours per spindle in place Sept.	463.8	464.0	501.0
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average=100)—Month of September:			
Adjusted for seasonal variations	108	*111	108
Without seasonal adjustment	113	*97	113
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average=100—Month of September:			
Sales (average monthly), unadjusted	100	77	100
Sales (average daily), unadjusted	102	75	102
Sales (average daily), seasonally adjusted	98	99	98
Stocks, unadjusted	123	118	*119
Stocks, seasonally adjusted	117	122	*114
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of September:			
Weekly earnings—			
All manufacturing	$70.49	$71.69	$69.63
Durable goods	76.36	77.27	75.42
Nondurable goods	62.92	*63.76	62.06
Hours—			
All manufacturing	39.6	40.5	41.2
Durable goods	40.4	41.1	41.9
Nondurable goods	39.4	*40.5	41.6
Hourly earnings—			
All manufacturing	$1.78	$1.77	$1.69
Durable goods	1.89	1.88	1.80
Nondurable goods	1.63	1.61	1.54
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE — Month of Sept.: (000's omitted):			
Ordinary	$1,774,000	$1,833,000	$1,594,000
Industrial	519,000	526,000	503,000
Group	465,000	494,000	492,000
Total	$2,758,000	$2,853,000	$2,589,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Sept.:			
Industrial (125)	5.76	5.79	5.63
Railroad (25)	7.13	7.01	6.03
Utilities (not includ. Amer. Tel. & Tel.) (24)	5.56	5.57	5.28
Banks (15)	4.64	4.66	4.23
Insurance (10)	3.40	3.46	3.18
Average (200)	5.74	5.75	5.56
NEW YORK STOCK EXCHANGE—As of Sept. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,624,256	$1,682,105	$1,332,534
Credit extended to customers	33,553	27,022	39,328
Cash on hand and in banks in U. S.	295,404	285,220	339,800
Total of customers' free credit balances	673,578	640,535	691,515
Market value of listed shares	110,478,753	110,750.141	112,633,035
Market value of listed bonds	93,472,388	100,009,822	99,712,148
Member borrowings on U. S. Govt. issues	106,026	129,436	67,713
Member borrowings on other collateral	1,122,306	1,203,892	945,366
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Aug. (000's omitted):			
Savings and loan associations	$670,983	$699,037	$692,065
Insurance companies	122,483	131,587	118,874
Bank and trust companies	310,061	323,320	313,236
Mutual savings banks	110,709	127,282	108,285
Individuals	238,420	256,713	239,129
Miscellaneous lending institutions	256,736	259,821	226,194
Total	$1,709,392	$1,797,760	$1,597,783
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of July:			
Net railway operating income	$94,427,908	$99,672,830	$61,161,230
Other income	17,366,199	20,210,605	16,801,393
Total income	111,794,107	119,883,435	77,962,623
Miscellaneous deductions from income	3,145,749	3,962,591	3,142,650
Income available for fixed charges	108,648,358	115,920,844	74,819,973
Income after fixed charges	74,898,144	81,996,865	41,738,649
Other deductions	2,909,774	2,764,607	3,223,885
Net income	71,988,370	79,232,258	38,514,764
Depreciation (way & structure & equipment)	42,155,656	42,591,512	40,706,914
Federal income taxes	51,878,806	58,692,592	26,052,063
Dividend appropriations:			
On common stock	19,780,491	17,406,286	6,862,885
On preferred stock	4,474,575	6,300,712	5,072,137
Ratio of income to fixed charges	3.22	3.42	2.26
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Aug. (000's omitted):			
Exports	$1,196,000	$1,364,000	$1,086,000
Imports	849,000	926,000	817,016

Continued from page 14

Free Enterprise— A Two-Way Street

rewards that flow from the full force of initiative, of creativeness, of that extra strength that makes for valuable contributions to the welfare of our fellow men.

Many businessmen and investors are concerned over the return of keenly competitive conditions. However, this is a blessing, looking at the nation as a whole. For example, many steel companies have announced the return of freight absorption. This increases their expenses and lowers their earnings, yet it is good because it forces greater efficiency and contributes toward relatively lower prices. Some companies will fall by the wayside. This is the cost of economic progress, and is not without its glory. It takes the struggles of those who fail as well as those who succeed to pave the two-way street we travel.

A Measurement of Our Greatness

The development of the TV industry is characteristic of our American way. This industry has been faced with all of the problems of high raw material cost and rising wages. Nevertheless, during recent years they have reduced the price of the average TV set nearly one-third and increased substantially the quality of the product. On the cost side, there was the problem of the companies participating in this great competitive game. They had to develop new models, readapt materials and change techniques to lower cost. Some companies were not able to keep the pace. On the other side, the reward was the opening up of a mass market. The claim that there are now more TV sets than bathtubs in Chicago may have unfavorable implications, but surely it dramatizes the road to economic progress.

In Europe the automobile factories are surrounded by the workmen's bicycles. In contrast is the typical American scene of factories surrounded by the workers' automobiles. A unique measurement of our greatness is that the average workingman can buy what he produces. The average truck driver, steel worker, and bricklayer enjoys today a higher standard of living than kings and most wealthy people those few years back when most of you executives were courting the charming sex.

Are We Getting Cold Feet

This is a time when all believers in our free enterprise system should bear their testimony to strengthen their faith. I am deeply concerned with growing evidences of people in almost all places forgetting the cost of preserving this system. Too many want security without insecurity, opportunity for success without the risk of failure — forgetting these are only opposite sides of the American coin. In reflecting upon the actions of others, we do well to recall the counsel of the Master when he said, "let us remember and be sure our hearts and hands are clean and pure."

The automobile industry is now one of the more important industries in America. In the past its history paralleled that of the recent development of the television industry. There was intensive technological development. Quality increased substantially, while the price was reduced relative to the average level of incomes. Thus, there grew a mass market for automobiles. The demand for cars stimulated the demand for materials and labor, and added greatly to the economic development and well-being of the nation. Had this policy not been followed by the automobile industry, it probably would not have acquired its present stature.

In 1948 General Motors put into effect a new wage policy. A formula was adopted for raising wages to offset increases in cost of living and for granting annual wage increase to compensate for the increase in productivity. Many other companies have subsequently followed this policy. We were assured initially that it was a two-way street, and it would not be inflationary. While wages increased with the increased cost of living, wages would decrease should the cost of living decrease. This happened to a small extent in 1949. However, in connection with the latest wage negatiation, nearly 80% of the cost of living increase was frozen in as part of basic wages. Some companies not wishing to be outdone and under great pressure have frozen into the wage structure 100% of the cost of living increases.

Once a leading industry like the automobile industry grants wage increases, this is held up as a pattern which most industries are forced to follow. By the time the pattern has run itself throughout the economy there is created the need of another pattern-setting wage increase because of the increase in costs of living. To a much greater extent than in the past, if not almost entirely, the increases in productivity go as a reward to the relatively limited number of workers in the industry in contrast to the former policy of letting these rewards be shared by all consumers, including the consumer-workers in the automobile industry.

This policy is fraught with real danger. In contrast to the policy of the past that made possible the mass markets, this policy tends to limit markets. The risk is that this important industry will not be able to make the contribution to the growth of the economy it has done in the past. Relatively higher prices mean fewer buyers. Fewer buyers mean fewer workers will be needed. The consequence of this wage-price policy has been offset by expansion monetary policies during recent years. Should the time come when the monetary policy would fail to provide the additional buying power needed to finance this wage policy, we will see more evidences of the restrictive influence that follows when a major industry fails to share the rewards of increased productivity with consumers at large.

I desire to refer to another example which illustrates the dangers of some of our current policies. Let us look back a few years when 70 men were needed to dig a section of ditch. If the pay for each were $3.00 a day, the total daily labor cost would be $210.00. Now let us imagine a typical aggressive, far-seeing businessman recognizing the opportunity of developing a tool which could do the same amount of work as the 70 men with the use of but one man. If this tool were used 300 days during the year, it could reduce labor costs $62,100. Let us further assume that the cost of the tool was $10,000. This is really not an unreasonable assumption considering the price at which such equipment can be purchased today.

In the past what would happen to the price for this service with the development of the tool? Would all the rewards go to the owner of the tool? Would he earn such fabulous profits? Of course not. It is likely that the one man employed to operate the tool would have a substantial increase in his salary, that all buyers of the service would earn a reasonable reward on his investment.

Today we have what recently was only a dream coming to the cotton fields—the cotton picker. It literally accomplishes almost all that was referred to in the above analogy. However, the price of cotton is supported at a fixed level. All of the rewards for lower labor costs go to the owner of the picker. None of the advantage goes to the buyer of cotton in the form of lower prices. It is possible in many areas for an individual to purchase a cotton picker and save in one year the total cost of his investment — in other words, to reap a reward of nearly 100%. This is an excessive reward to the owner of the tool. It does not stimulate the market. It is contrary to the policies of the past that have contributed to our economic growth.

No Protection in Playing Ostrich

As a people we have the freedom to choose the policies we shall follow. But we do not have freedom from the consequences! The dairy farmers are learning this lesson by what is happening to the consumption of butter. The per capita consumption of butter this year will be less than half what it was in the depression year 1932, and will probably be exceeded by the consumption of oleomargarine. The government can purchase over a million pounds of butter per day. It can support a wholesale price that results in a retail price for butter of two to three times the price of oleomargarine, but it hasn't yet found how it can keep the consumer from responding to the price difference. Relatively lower prices stimulate consumption and relatively higher prices curtail consumption, other things being equal. It is obvious that we have approached the point where this pricing policy will have to cease or the farmer will have to develop cows that produce something other than butterfat and milk.

The average investor in savings bonds during the past 10 years has learned that he can't avoid the consequence of policies that destroy the value of money. An investment of $75.00 in 1943 in U. S. Savings Bonds with no income received in the interim is now worth less in terms of real buying power than it was 10 years ago. In effect, the investor paid for the privilege of owning Government bonds. Another name for this is negative interest.

There were some professional investors, including distinguished representatives of life insurance companies, who were happy with the prospect of converting marketable 2½% government bonds into non-marketable 2¾% bonds feeling that they were gaining an additional ¼% interest and acquiring a bond which was safe since it couldn't depreciate in price because it had no market. Again we learn that there is the consequence of change—and there is no protection in playing ostrich. To retain the bond costs one loss of income relative to that available on other securities, and to dispose of the bond through conversion will mean taking a capital loss of 4 to 5%.

Patrick Henry helped mold our great American way of life when he declared "give me liberty or give me death." Too many are now saying "give me security, give me price support, give me protection from business risks even if it costs me my liberty."

Our Immediate Challenge

A difficult economic period lies ahead. The boom, stimulated and prolonged by the use of much of the economic medicine we now wish we had in reserve, is on the wane. We must test each proposed or favored policy not by the standard of personal gain but does it harmonize with the principles of the Free Enterprise system. If it does it is good; it will pay off in the long run; it will ultimately contribute to our economic gain and happiness. If it does not it is bad; it will hurt in the long run; it will ultimately weaken our economic strength and bring sorrow.

Free enterprise is a two-way street. We must accept the one—insecurity and risk—if we are to retain the other — security and opportunity.

Railroad Securities

Denver & Rio Grande Western

Apparently hopes of an increased dividend by **Southern Railway** at this time had not been too widespread even though there had been some talk in financial quarters as to the possibility of such a move. In any event when it was announced that the $0.62½ quarterly was being continued the stock dipped only slightly, and then quickly recovered. It was, of course, supported to some extent by the better tone that characterized the market as a whole last week and to some extent, also, by the continued favorable trend of earnings revealed in the report for September. While revenues for the month were off slightly there was a further paring of the transportation ratio and net income was above the levels of a year earlier. Thus, a record peak in earnings appears assured in 1953 and eventually there seems to be every reason to expect that a larger share of these earnings will be passed along to stockholders.

Another road that continues to do well, although its stock remains unaffected, is the **Denver & Rio Grande Western.** The stock dipped sharply following announcement late in August of two quarterly dividends of $2.00 each, to be followed at the year-end by a stock dividend of 50%, and subsequently has recovered only modestly. In most quarters it is considered virtually certain that after the stock dividend the shares will be put on a basis equivalent at least to the $6.00 in cash being paid this year and in some circles even more liberal action is anticipated. On this basis the stock affords a very generous income return selling in the low 80s. Also, it is selling only slightly more than three times earnings of $25.74 reported for the most recent 12 months.

Denver & Rio Grande Western has done a phenomenal job in improving its operating efficiency in recent years, and its performance in this respect is particularly impressive when the difficult mountain territory it traverses is taken into consideration. For the current year the company seems likely to join that select group of carriers with transportation ratios below the 30% level. In 1952 the road had a transportation ratio of 31.9%, with very severe winter weather conditions. This compared with 36.9% for the industry as a whole and was a far cry from the road's own transportation ratio of 36.2% as recently as 1949. Continuing this highly favorable trend, the ratio for the nine months through September was down to 29.3% compared with 32.9% for the like 1952 interim. Even in September, when revenues were off somewhat more than 5%, the company pared more than two points off its transportation ratio.

For 1952 as a whole Denver & Rio Grande Western reported common share earnings, before sinking and other reserve funds, of $19.46. For the nine months through September, on a revenue gain of less than 9% and with income taxes up appreciably, the road reported an increase in net income of more than 42%. Net earnings amounted to $7,082,752 compared with $4,974,027 for the nine months of the preceding year. The gain in net of $2,108,725 was equivalent to $5.45 a share on the 386,660 shares of common stock outstanding. If the company does as well as match its 1952 performance in the last quarter this would indicate full year 1953 common share earnings of close to $25.00.

It is true that September earnings were nominally (less than $50,000) lower than those of September, 1952 despite the favorable transportation ratio comparison, but this dip was due entirely to an increase of $155,295 in road retirement charges, a non-cash item. It is not possibly to say just now whether there will be other such extraordinary charges in the final quarter of the year but even if there are the company should come close to the $25.00 a share level this year in common earnings. Moreover, for the intermediate and longer terms the outlook continues highly favorable based on the strong growth characteristics of the territory served and the increasingly important role of the line in transcontinental business.

With Gerard R. Jobin

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Richard L. Beil has been added to the staff of Gerard R. Jobin Investments, Ltd., 242 Beach Drive, North.

With Robinson Humphrey

(Special to The Financial Chronicle)

ATLANTA, Ga. — H. Grady Black, Jr., and Micajah L. Oglesby have joined the staff of The Robinson-Humphrey Co., Rhodes-Hoverty Building. Mr. Black was previously with Courts & Co. and prior thereto with Morgan Stanley & Co. in New York.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Air-Springs, Inc., New York
Oct. 30 (letter of notification) 9,000 shares of common stock (par 10 cents). **Price**—At market (for an aggregate price not to exceed $50,000). **Proceeds**—To four selling stockholders. **Office**—63 Wall St., New York, N. Y. **Underwriter**—d'Avigdor Co., New York.

Amalgamated Growth Industries, Inc.
Sept. 28 (letter of notification) 149,999 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of patents, etc., and for new equipment and working capital. **Office**—11 West 42nd St., New York City. **Underwriter**—R. A. Keppler & Co., Inc., New York, N. Y.

★ American Fidelity & Casualty Co. (11/23)
Nov. 3 filed 150,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders of record about Nov. 23 on a share-for-share basis; with rights to expire on or about Dec. 8. Certain stockholders have waived their rights to purchase the new shares. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriter** — Geyer & Co., New York.

American-Israeli Cattle Corp., Beverly Hills, Cal.
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

• American Telephone & Telegraph Co.
Oct. 14 filed $602,543,700 of 12-year 3¾% convertible debentures, due Dec. 10, 1965, to be offered for subscription by stockholders of record Oct. 30 in the ratio of $100 of debentures for each seven shares of stock held; rights to expire on Dec. 10. Rights will be mailed on Nov. 5. Conversion price beginning Feb. 9, 1954 is $136 per share of capital stock. **Price**—At par (flat), $100 for each $100 principal amount. **Proceeds**—For advances to subsidiary and associated companies, etc. **Underwriter**—None.

• Anacon Lead Mines, Ltd., Toronto, Canada
Sept. 28 filed 700,000 shares of common stock (par 20 cents—Canadian funds) to be offered for subscription by common stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To develop mining properties. **Underwriter**—None. Financing proposal has not been dropped.

Anchor Post Products, Inc.
Sept. 30 (letter of notification) 32,953 shares of common stock (par $2) being offered for subscription by common stockholders of record Oct. 20 at the rate of one new share for each nine shares held; rights to expire on Nov. 16. **Price**—$7.50 per share. **Proceeds**—For working capital. **Office** — 6500 Eastern Avenue, Baltimore, Md. **Underwriter**—None.

★ Arizona Public Service Co. (11/24)
Nov. 4 filed 240,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Postponed.

• Bridgeport Brass Co. (11/17)
Oct. 28 filed 238,628 shares of common stock (par $5) to be offered for subscription by common stockholders of record on Nov. 17 on the basis of one new share for each four shares held; rights to expire about Dec. 1. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters** — Hornblower & Weeks and Stone & Webster Securities Corp., both of New York.

Burton Picture Productions, Inc.
Sept. 24 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For production of movies and TV stories. **Office**—246 Fifth Avenue, New York. **Underwriter** — Alexander Reid & Co., Newark, N. J.

California Central Airlines, Inc.
Aug. 24 filed $600,000 of 7% convertible equipment trust certificates, series A, due Sept. 1, 1957, and 400,000 shares of common stock (par 50 cents). **Price**—100% of principal amount for certificates and 75 cents per share for stock. **Proceeds**—To acquire five Martinliners and the spare parts. **Office**—Burbank, Calif. **Underwriters**—Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

• California Water Service Co. (11/17)
Oct. 22 filed 80,000 shares of cumulative convertible preferred stock, series H (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for new construction. **Underwriter** — Dean Witter & Co., San Francisco, Calif.

★ Capital Uranium Co., Farmington, N. M.
Oct. 28 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 10 cents per share. **Proceeds**—For exploration, drilling and development of mining claims. **Underwriter** — Forbes & Co., Denver, Colo.

Carolina Telephone & Telegraph Co.
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders in the ratio of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None. **Offering**—Temporarily postponed.

★ Central Illinois Electric & Gas Co.
Oct. 30 filed 70,400 shares of common stock (par $15) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—From sale of common stock and from proposed sale later in year of 15,000 shares of $100 par cumulative preferred stock to be used to repay bank loans and to pay for new construction. **Underwriters**—Stone & Webster Securities Corp. and Allen & Co., both of New York.

Central Illinois Light Co.
Oct. 7 filed 100,000 shares of common stock (no par), being offered for subscription by common stockholders of record Oct. 27 on the basis of one new share for each nine shares then held (with an oversubscription privilege, subject to subscription rights of employees); rights to stockholders to expire on Nov. 13 and to employees on Nov. 10. **Price**—$36.50 per share. **Proceeds**—For repayment of bank loans and new construction. **Underwriter**—Union Securities Corp., New York.

Century Acceptance Corp.
Oct. 16 (letter of notification) 10,000 shares of class A common stock (par $1) and 5,000 shares of class B stock (par $1). **Price**—Of class A, $2.50 per share; of class B, $1.90 per share. **Proceeds**—To Robert F. Brozman, the selling stockholder. **Office**—1334 Oak St., Kansas City, Mo. **Underwriter**—Wahler, White & Co., Kansas City, Mo.

Columbus & Southern Ohio Electric Co. (11/17)
Oct. 27 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co., Inc., New York; The Ohio Company, Columbus, Ohio.

Columbus & Southern Ohio Electric Co. (12/1)
Oct. 27 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Salomon Bros. & Hutzler; Dillon, Read & Co.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers; Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 1.

Cosmo Oil Co., Denver, Colo.
Oct. 7 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and working capital. **Office** — 922 Equitable Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ Crown Western Investments, Inc., Dallas, Tex.
Oct. 28 filed 3,000 Government Securities Fund I, series B-3; 2,000 Government Securities Fund II, series B-4; 100,000 Diversified Income Fund, series D-2; and 250,000 Dallas Fund, series S-3. **Underwriter**—None.

Cuban American Minerals Corp., Washington, D.C.
Oct. 6 (letter of notification) 6,000 certificates of participation. **Price**—At par (in units of $50 each). **Proceeds** — For general corporate purposes. **Office** — 439 Wyatt Bldg., Washington, D. C. **Underwriter**—James T. De Witt & Co., Inc., Washington, D. C.

• Delaware Power & Light Co. (11/25)
Oct. 28 filed 232,520 shares of common stock (par $13.50) to be offered for subscription by common stockholders of record Nov. 25 on the basis of one new share for each seven shares held; rights to expire on Dec. 15. Employees will receive rights to subscribe for up to 150 shares each. **Price**—To be named by company on Nov. 23. **Proceeds**—For construction program. **Underwriters**

NEW ISSUE CALENDAR

November 9 (Monday)
General Precision Equipment Corp.______**Preferred**
(The First Boston Corp. and Tucker, Anthony & Co.) $5,408,350
Gulf Cities Gas Corp.______**Class A**
(Eisele & King, Libaire, Stout & Co.) $300,000
Long Island Lighting Co.______**Bonds**
(Bids noon EST) $25,000,000

November 10 (Tuesday)
Koehring Co. ______**Common**
(Loewi & Co.) 50,000 shares
Northern Natural Gas Co.______**Debentures**
(Blyth & Co., Inc.) $25,000,000

November 12 (Thursday)
Eastern Industries, Inc.______**Preferred**
(Blair, Rollins & Co. Inc. and Cohu & Co.) $1,000,000

November 13 (Friday)
Dixie Cup Co.______**Preferred**
(Glore, Forgan & Co. and Hornblower & Weeks) $7,623,250

November 16 (Monday)
Manheim Water Co.______**Bonds**
(Offering by company—no underwriting) $125,000
Nylok Corp.______**Notes**
(Offering to stockholders, without underwriting) $125,000

November 17 (Tuesday)
Bridgeport Brass Co.______**Common**
(Offering to stockholders—underwritten by Hornblower & Weeks and Stone & Webster Securities Corp.) 238,628 shares
California Water Service Co.______**Preferred**
(Dean Witter & Co.) $2,000,000
Columbus & Southern Ohio Electric Co.___**Common**
(Dillon, Read & Co. Inc. and The Ohio Co.) 200,000 shares
Oklahoma-Mississippi River Products Line, Inc. ______**Debentures & Common**
(Eastman, Dillon & Co.) $3,000,000 debs. & 480,000 shs.
Pacific Lighting Corp.______**Common**
(Blyth & Co., Inc.) 800,000 shares
Pennsylvania RR.______**Equip. Trust Ctfs.**
(Bids noon EST) $4,230,000
Storer Broadcasting Corp.______**Common**
(Reynolds & Co.) 200,000 shares
Worcester County Electric Co.______**Preferred**
(Bids noon EST) $7,500,000

November 18 (Wednesday)
Iowa Southern Utilities Co.______**Common**
(The First Boston Corp.) 100,000 shares
Ludman Corp. ______**Debentures**
(Courts & Co.) $750,000
Toronto (City of)______**Debentures**
(Harriman Ripley & Co. Inc., etc.) $18,000,000

November 19 (Thursday)
Rochester Telephone Corp.______**Common**
(Offering to stockholders—underwritten by The First Boston Corp.) 156,250 shares

November 23 (Monday)
American Fidelity & Casualty Co.______**Preferred**
(Geyer & Co.) $750,000
Gulf States Utilities Co.______**Bonds**
(Bids 11 a.m. EST) $10,000,000
Illinois Power Corp.______**Bonds**
(Bids to be invited) $20,000,000

November 24 (Tuesday)
Arizona Public Service Co.______**Common**
(The First Boston Corp. and Blyth & Co., Inc.) 240,000 shares
Government Employees Corp.______**Debentures**
(Offering to stockholders—underwritten by Johnston, Lemon & Co. and E. R. Jones & Co.) $500,000
Iowa Power & Light Co.______**Preferred**
(Smith, Barney & Co.) $5,000,000
Maine Public Service Co.______**Common**
(Offering to stockholders — underwritten by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 35,000 shares
Southwestern Investment Co.______**Debentures**
(The First Trust Co. of Lincoln, Neb.) $700,000

November 25 (Wednesday)
Delaware Power & Light Co.______**Common**
(Bids 11:30 a.m. EST) 232,520 shares

November 30 (Monday)
Iowa Power & Light Co.______**Bonds**
(Bids to be invited) $8,500,000

December 1 (Tuesday)
Columbus & Southern Ohio Electric Co.______**Bonds**
(Bids 11:30 a.m. EST) $10,000,000
Monongahela Power Co.______**Bonds**
(Bids to be invited) $10,000,000
Tennessee Gas Transmission Co.______**Bonds**
(Bids 11:30 a.m. EST) $25,000,000
Virginia Electric & Power Co.______**Common**
(Bids 11 a.m. EST) 558,946 shares

December 17 (Thursday)
Erie RR.______**Equip. Trust Ctfs.**
(Bids to be invited) $5,400,000

January 6 (Wednesday)
Consumers Power Co.______**Common**
(Offering to stockholders—bids to be invited) 679,436 shares

January 13 (Wednesday)
Ohio Edison Co.______**Common**
(Offering to stockholders—bids to be invited) 527,830 shs.

January 19 (Tuesday)
Ohio Edison Co.______**Bonds**
(Bids to be invited) $30,000,000

—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Price**—May be set by directors, with bidders to name their underwriting compensation. **Bids**—To be received on Nov. 25 up to 11:30 a.m. at 600 Market St., Wilmington 99, Del.

• Dixie Cup Co., Easton, Pa. (11/13)
Oct. 23 filed 152,465 shares of cumulative convertible preferred stock, series A (par $50) to be offered for subscription by common stockholders at rate of one preferred share for each five common shares held on Nov. 13; rights to expire on Nov. 30. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Glore, Forgan & Co. and Hornblower & Weeks, both of New York.

Duquesne Light Co.
Aug. 19 filed 100,000 shares of preferred stock (par $50). **Proceeds**—To reduce bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers. **Bids**—Originally scheduled to be received up to 11 a.m. (EDT) on Sept. 17, but on Sept. 16 the company announced bids will be received within 30 days from that date, bidders to be advised at least three days in advance of new date. No decision reached to date.

Eastern Industries, Inc., New Haven (11/12)
Oct. 22 filed 100,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($10 per share). **Proceeds**—To refund bonds and repay bank loans and for working capital. **Underwriter**—Blair, Rollins & Co., Inc., and Cohu & Co., both of New York.

★ Fischer & Porter Co., Hathboro, Pa.
Oct. 26 (letter of notification) 17,920 participating preference shares and common shares (par $1). **Price**—$12.48 per share (plus in case of preference shares, accrued dividends at rate of 50 cents per share per year). **Proceeds**—For additions to plant and equipment and for working capital. **Underwriter**—None.

★ General Commodities Corp., Detroit, Mich.
Oct. 29 (letter of notification) $240,000 of 5% debentures and 3,000 shares of class A common stock (par $1) to be offered in units of $24,000 of debentures and 300 shares of stock. **Price**—$24,300 per unit. **Proceeds**—For working capital. **Office**—Penobscot Bldg., Detroit, Mich. **Underwriter**—None.

General Hydrocarbons Corp.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. **Price**—$359 per unit ($336 for the debentures and $1 per share for the stock). **Proceeds**—For general corporate purposes. **Business** — Oil and gas development. **Underwriter**—None. **Office**—Oklahoma City, Okla.

General Precision Equipment Corp. (11/9)
Oct. 16 filed 108,167 shares of cumulative convertible preferred stock (no par—stated value $50 per share), to be offered for subscription to common stockholders on the basis of one new preferred stock share for each six common shares held on Nov. 6; rights to expire on Nov. 23. **Price** — To be supplied by amendment. **Proceeds**—To repay $3,925,000 bank loans and to increase general corporate funds. **Underwriters** — The First Boston Corp. and Tucker, Anthony & Co., both of New York.

General Shoe Corp., Nashville, Tenn.
Oct. 2 filed 19,465 shares of $5 cumulative preference stock, series B (stated value $100 per share) and 139,742 shares of common stock (par $1) to be offered in exchange for shares of stock of Berland Shoe Stores, Inc. on the following basis: For each Berland common share 0.54253 shares of General Shoe common; and for each 4 6/11th shares of Berland preferred stock one share of series B preferred of General Shoe or for each 2.0227 shares of Berland prefered one share of General Shoe common stock. Offer, which will terminate on Dec. 7, is subject to acceptance of 80% of each class of stock.

★ Government Employees Corp. (11/24)
Oct. 23 filed $500,000 10-year 4½% convertible junior subordinated debentures due Dec. 1, 1963 (convertible into common stock at the rate of $20 per share), to be offered for subscription by common stockholders of record Nov. 17 at the rate of $100 of debentures for each 15 shares held; rights to expire on Dec. 9. It is expected that subscription warrants will be mailed on or about Nov. 24. **Price**—At par. **Proceeds**—For working capital and to prepay $100,000 of junior subordinated notes. **Office**—Government Employees Insurance Bldg., Washington 5, D. C. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and E. R. Jones & Co., Baltimore, Md.

Greyhound Parks of Alabama, Inc., Phoenix, Ariz.
Oct. 21 filed $400,500 of 6% 10-year cumulative income debentures, due Oct. 1, 1962, and 40,050 shares of common stock (no par) to be offered in units of four debentures of $250 principal amount each and 100 shares of stock. **Price**—$1,100 per unit. **Proceeds**—To rehabilitate and construct racing plant in Tucson, Ariz. **Business**—Dog racing with pari-mutuel betting privileges. **Underwriter**—None.

Guardian Chemical Corp.
Oct. 26 (letter of notification) 42,000 shares of common stock (par 10 cents). **Price**—$2.37½ per share. **Proceeds**—For working capital. **Office**—10-15 43rd Ave., Long Island City, N. Y. **Underwriter**—Batkin & Co., New York.

Gulf Cities Gas Corp. (11/9)
Oct. 22 (letter of notification) 60,000 shares of class A stock (par $1). **Price** — $5 per share. **Proceeds** — For equipment and to pay notes. **Office**—600 16th St., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Gulf States Utilities Co. (11/23)
Oct. 22 filed $10,000,000 of first mortgage bonds due Dec. 1, 1983. **Proceeds** — To repay bank loans and for new construction. **Underwriters** — To be determined by Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Nov. 23 at office of The Hanover Bank, 70 Broadway, New York 15, N. Y.

Gulf Sulphur Corp., North Kansas City, Mo.
Oct. 27 filed 700,000 shares of convertible preferred and participating stock (par 10 cents). **Price**—$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

Hartford Electric Light Co.
Oct. 2 filed 105,500 shares of common stock (par $25) being offered for subscription by stockholders of record Oct. 23 on the basis of one new share for each eight shares held; rights will expire on Nov. 10. **Price**—$44 per share. **Proceeds**—For construction program. **Underwriter**—None.

Hawaiian Electric Co., Ltd.
Sept. 25 filed 100,000 shares of common stock to be offered for subscription by common stockholders of record Oct. 5 in ratio of one new share for each 5½ shares held. **Price**—At par ($20 per share). **Proceeds**—For plant expansion. **Underwriter**—None.

★ Heiland Research Corp., Denver, Colo.
Oct. 28 (letter of notification) 2,307 shares of 5½% cumulative preferred stock (par $100) and 23,070 shares of common stock (par $1). **Price**—The preferred, at par; and the common at $3 per share. **Proceeds** — To repay bank loans and for working capital. **Office** — 130 East 5th Ave., Denver, Colo. **Underwriter**—Not named.

★ Hydrocap Eastern, Inc., Philadelphia, Pa.
Oct. 30 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay debt and for working capital, etc. **Underwriter**—Barham & Co., Coral Gables, Fla.

Illinois Power Co. (11/23-24)
Oct. 28 filed $20,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. **Bids** — Tentatively expected to be received on Nov. 23 or Nov. 24.

Ionics, Inc., Cambridge, Mass.
June 30 filed 131,784 shares of common stock (par $1). **Price**—To be supplied by amendment (between $8 and $9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business** — Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Date indefinite.

★ Iowa Power & Light Co. (11/24)
Nov. 3 filed 50,000 shares of cumulative preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Smith, Barney & Co., New York.

★ Iowa Power & Light Co. (11/30)
Nov. 3 filed $8,500,000 of first mortgage bonds due Dec. 1, 1983. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co., Wood Struthers & Co. and American Securities Corp. (jointly); The First Boston Corp; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; White, Weld & Co. **Bids**—Tentatively scheduled to be received on Nov. 30.

★ Iowa Southern Utilities Co. (11/18)
Oct. 29 filed 100,000 shares of common stock (par $15). **Price**—To be supplied by amendment. **Proceeds**—To retire $1,500,000 of bank loans and for new construction. **Meeting**—Stockholders will vote Nov. 12 on increasing authorized common stock to 1,100,000 shares from 800,000 shares. **Underwriter**—The First Boston Corp., New York.

Israel Enterprises, Inc., New York
Oct. 1 filed 18,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For investment in existing industrial enterprises in Israel. **Underwriter**—None.

★ Jasper Oil Corp., Montreal, Quebec, Canada
Oct. 28 filed 550,000 shares of common stock (par $1—Canadian). **Price**—$3 per share. **Proceeds**—For expansion and exploration and development expenses. **Underwriter**—Globe Securities Corp., Ltd., Montreal, Canada.

Kay Jewelry Stores, Inc., Washington, D. C.
Sept. 28 filed 672,746 shares of capital stock (par $1) to be offered in exchange for preferred and common stocks of 71 store corporations which operate 83 retail credit jewelry stores. **Underwriter**—None.

Kenwell Oils & Mines Ltd., Toronto, Canada
Aug. 20 filed 500,000 shares of common stock (par $1) **Price**—To be related to the quotation on the American Stock Exchange market. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—John R. Boland & Co., Inc., New York; Paul C. Kimball & Co. and Republic Investment Co., Inc. of Chicago, Ill.; Barham & Co., Coral Gables, Fla.; and Frame McFadyen & Co., Toronto, Canada.

Koehring Co., Milwaukee, Wis. (11/10-13)
Oct. 22 filed 50,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—Expected to net company around $1,250,000, will be used to reimburse company for funds expended to acquire ownership of Waterous, Ltd., now known as Koehring-Waterous, Ltd., and to replace funds expended on improvements in Koehring Co.'s plants, particularly Koehring Southern Co. **Underwriter**—Loewi & Co., Milwaukee, Wis.

★ Liberty Fabrics of New York, Inc.
Nov. 2 (letter of notification) 7,500 shares of common stock (par $1) to be offered to a limited number of its employees. **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Office** — 244 Madison Ave., New York. **Underwriter**—None.

Long Island Lighting Co. (11/9)
Oct. 19 filed $25,000,000 first mortgage bonds, series F, due Sept. 1, 1983. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co. **Bids**—To be received up to noon (EST) on Nov. 9 at City Bank Farmers Trust Co., 20 Exchange Place, New York, N. Y.

• Ludman Corp., North Miami, Fla. (11/18-19)
Oct. 26 filed $750,000 of 6% sinking fund convertible debentures due Nov. 1, 1968. **Price**—At par (in units of $100 each). **Proceeds**—To repay bank loans, and for new equipment and general corporate purposes. **Underwriter**—Courts & Co., Atlanta, Ga.

★ Ludman Corp., North Miami, Fla.
Oct. 26 (letter of notification) 17,185 shares of common stock (par $1). **Price**—At market (estimated at between $4.37½ and $5.12½ per share). **Proceeds**—To Max Hoffman and Robert P. Ludwig ($4.50 per share net). **Underwriter**—David Cerf.

★ Macabe Co., Inc., Portland, Ore.
Aug. 27 (letter of notification) 12,500 shares of class A common stock. **Price**—$20 per share. **Proceeds**—To pay debt to Bank of California and for working capital. **Office**—1020 S. W. Taylor St., Portland, Ore. **Underwriter**—Blyth & Co., Inc., Portland, Ore.

★ Maine Public Service Co. (11/24)
Nov. 2 filed 35,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Nov. 24 at rate of one new share for each six shares held (with oversubscription privilege). Rights will expire on Dec. 8. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

★ Manheim (Pa.) Water Co. (11/16)
Oct. 28 (letter of notification) $125,000 of 4¾% first mortgage bonds, series A, dated Oct. 31, 1953, and due Oct. 31, 1978, to be offered to residents of Pennsylvania. **Price**—100% and accrued interest. **Proceeds**—For part payment of installation of a new water filtration plant. **Underwriter**—None.

• Massachusetts Business Development Corp., Boston, Mass.
Oct. 16 filed 150,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For loans and working capital. **Business**—To provide a new source of financing which will be available to assist existing businesses and to encourage new industry in Massachusetts. **Underwriter**—None. Statement effective Oct. 26.

★ Monongahela Power Co. (12/1)
Oct. 30 filed $10,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers, Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc. **Bids**—Tentatively expected to be received on Dec. 1.

★ Natural Resources of Canada Fund, Inc., N. Y.
Nov. 3 filed 1,396,304 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Nevada Tungsten Corp., Mina, Nev.
Oct. 22 (letter of notification) 1,000,000 shares of common stock to be offered to stockholders. **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—None.

North Star Oil & Uranium Corp.
Oct. 23 (letter of notification) 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—To acquire certain mining claims, etc. and for exploration, development, drilling and working capital **Office** — 129 So. State St., Dover, Del. **Underwriter** — Lincoln Securities Corp., New York.

★ Northern Natural Gas Co. (11/10)
Oct. 29 filed $25,000,000 of sinking fund debentures due Nov. 1, 1973. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

Continued on page 44

Continued from page 43

★ Nylok Corp., New York (11/16)
Oct. 30 (letter of notification) $125,000 of 6% convertible serial notes due Jan. 1, 1964, to be offered for subscription by common stockholders at rate of $125 of notes for each four shares of stock held as of Nov. 16; rights to expire on Dec. 16. **Price**—100% and accrued interest from Jan. 1, 1954. **Proceeds**—To reduce bank loans, purchase equipment, to explore foreign patents and for working capital. **Business**—Manufactures and sells fastening devices. **Office**—475 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

Oklahoma-Mississippi River Products Line, Inc., Tulsa, Okla. (11/17)
Oct. 26 filed $3,000,000 of 25-year subordinated debentures due Nov. 1, 1978, and 480,000 shares of common stock (par one cent) to be offered in units of $50 principal amount of debentures and eight shares of stock. An additional 300,000 shares of common stock will be sold to certain individuals. **Price** — To be supplied by amendment. **Proceeds** — To construct petroleum pipe line. **Underwriter**—Eastman, Dillon & Co., New York.

Orange Community Hotel Co., Orange, Texas
Sept. 14 filed 8,333 shares of capital stock (par $20) and 8,333 registered 4% debentures due Jan. 1, 1984 of $100 each to be offered in units of one share of stock and one $100 debenture. **Price**—$120 per unit. **Proceeds**—To construct and equip hotel building. **Underwriter** — None. (Subscriptions to 4,949 shares of stock and 4,949 debentures are held by a group of citizens of Orange formed under the auspices of the Orange Chamber of Commerce.)

Pacific Lighting Corp. (11/17)
Oct. 26 filed 800,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for advances to subsidiaries. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

★ Perfect-Line Manufacturing Corp. (N. Y.)
Oct. 30 (letter of notification) 170,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—Hicksville, N. Y. **Underwriter**—Joseph Faroll & Co., New York.

★ Petroleum Service, Inc., Dallas, Tex.
Oct. 30 (letter of notification) $300,000 of 6% convertible debentures due 1963. **Price** — At par. **Proceeds** — For working capital. **Underwriter**—Garrett & Co., Dallas, Tex.

★ Plantation Farms, Inc. (N. J.)
Oct. 26 (letter of notification) 900 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—To lease land, purchase equipment and for working capital. **Office**—42 North Main St., Pleasantville, N. J. **Underwriter**—None.

★ Power Condenser & Electronics Corp.
Oct. 30 (letter of notification) 47,000 shares of common stock (par $1). **Proceeds**—To finance research program and for laboratory equipment. **Office** — 70 State St., Boston, Mass. **Underwriter**—Benjamin W. Currier.

★ Rochester Telephone Corp. (11/19)
Oct. 30 filed 156,250 shares of common stock (par $10) to be offered for subscription by common stockholders of record Nov. 19 at rate of one new share for each four shares held; rights to expire on Dec. 7. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — The First Boston Corp., New York.

★ Rotary Electric Steel Co.
Oct. 29 filed $1,750,000 of Employees' Interests in the Company's Employees' Stock Purchase Plan together with 50,000 shares of the company's common stock (par $10) purchasable under the plan. **Underwriter**—None.

Saint Anne's Oil Production Co.
April 23 filed 165,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill. Registration statement may be revised.

★ Silver Buckle Mining Co., Wallace, Idaho
Oct. 29 (letter of notification) 721,065 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To develop properties. **Address**—P. O. Box 1088, Wallace, Idaho. **Underwriter**—None.

Silver Dollar Exploration & Development Co.
Aug. 20 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds**—For exploration. **Office**—West 909 Sprague Ave., Spokane, Wash. **Underwriter** — Mines Financing, Inc., Spokane, Wash.

★ Snoose Mining Co., Hailey, Idaho
Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

★ Southwestern Investment Co., Amarillo, Tex. (11/24)
Nov. 4 filed $700,000 of 5½% capital debentures, series B, due Dec. 1, 1963. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—The First Trust Co. of Lincoln, Neb.

★ Southwestern Investment Co., Amarillo, Tex.
Nov. 4 filed 10,000 shares of common stock (par $5), to be offered for subscription by employees of the company and its subsidiaries under the company's Employee Purchase Plan. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—None.

Sta-Tex Oil Co.
Oct. 2 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For drilling costs. **Underwriter**—Arthur R. Gilman, 20 Broad Street, New York City.

● Storer Broadcasting Corp. (11/17)
Oct. 23 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To certain stockholders. **Office**—Miami Beach, Fla. **Underwriter**—Reynolds & Co., New York.

Strategic Materials Corp., Buffalo, N. Y.
Aug. 31 filed 198,500 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other indebtedness, for further exploration of properties and for additional working capital. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York, W. C. Pitfield & Co., Ltd., of Montreal, Canada, has agreed to purchase 50,000 shares from the underwriters for distribution in Canada.

★ Tennessee Gas Transmission Co. (12/1)
Oct. 30 filed $25,000,000 of first mortgage pipe line bonds due Nov. 1, 1973. **Purpose**—To repay bank loans and for expansion program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids** — To be received up to 11 a.m. (EST) on Dec. 1 at office of Messrs. Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

Texas Adams Oil Co., Inc.
Oct. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To test wells. **Office**—42 Broadway, New York. **Underwriter**—Philip Gordon & Co., Inc., 39 Broadway, New York.

★ Toronto (City of), Ontario, Canada (11/18)
Oct. 30 filed $18,600,000 of consolidated loan debentures due Dec. 1, 1954 to 1983. **Price** — To be supplied by amendment. **Proceeds** — To be advanced to Toronto Transportation Commission and will be used to pay for capital expenditures. **Underwriters**—Harriman Ripley & Co. Inc.; The Dominion Securities Corp.; The First Boston Corp.; Smith, Barney & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir, Inc.

● United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds**—To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of 6½ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter** — None. Statement effective Oct. 26.

United Rayon Manufacturing Corp. (Netherlands)
Oct. 9 filed "A. K. U." American depositary receipts for 200,000 American shares representing 10,000 ordinary shares of A. K. U. at the rate of 20 American shares for each ordinary share of Hfl. 1,000 par value. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders, who purchased the ordinary shares from the company, the proceeds to be used by it for capital additions to plants and facilities. **Underwriter** — Lazard Freres & Co., New York. **Offering** — Expected late in November.

United States Finishing Co.
Sept. 23 filed 240,000 shares of common stock (no par) being offered in exchange for the 15,000 outstanding common shares of Aspinook Corp. on the basis of 16 shares of Finishing stock for each share of Aspinook stock. The offer is conditioned upon its acceptance by the holders of at least 80% of the Aspinook shares. The offer expires on Nov. 13. Statement became effective Oct. 13.

Ute Uranium, Inc., Denver, Colo.
Oct. 19 (letter of notification) 22,500,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining and drilling. **Office** — 602 First National Bank Bldg., Denver 2, Colo. **Underwriter**—Kamp & Co., Inc., Denver, Colo.

● Virginia Electric & Power Co. (12/1)
Oct. 28 filed 558,946 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co. **Bids**—To be received up to 11 a.m. (EST) on Dec. 1 at Room 735, 11 Broad St., New York, N. Y.

★ Warren Telephone Co., Warren, Ohio
Oct. 27 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par). **Price**—$100 per share. **Proceeds**—To discharge short-term indebtedness and for improvements and expansions to plant. **Office** — 220 South Park Ave., Warren, O. **Underwriter**—None.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Virginia Pulp & Paper Co.
Sept. 28 filed 1,270,344 shares of common stock (par $5) being offered in exchange for common stock (par $10) of Hinde & Dauch Paper Co. on the basis of 1⅓ shares of West Virginia Pulp stock for each Hinde & Dauch share. The offer will expire on Nov. 18. **Underwriter**—None.

● Western Empire Petroleum Co., Ogden, Utah
Oct. 22 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—5 cents per share. **Proceeds** — For additional working capital, to acquire leases, drill well, etc. **Office**—812 Eccles Bldg., Ogden, Utah. **Underwriter** — Samuel B. Franklin & Co., Los Angeles, Calif.

Worcester County Electric Co. (11/17)
Oct. 12 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp. **Bids** — Tentatively scheduled to be received by company at its office, 441 Stuart St., Boston 16, Mass., up to noon (EST) on Nov. 17.

Workers Loan Co., Dubois, Pa.
Oct. 21 (letter of notification) $200,000 of 10-year 7% subordinated debentures due Oct., 1963. **Price**—At par (in denominations of $500 each) and accrued interest. **Proceeds**—For working capital. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg and Pittsburgh, Pa.

Prospective Offerings

Atlantic City Electric Co.
Oct. 5 B. L. England, President, announced that the company plans to issue and sell early next year about $4,000,000 of new bonds and make an offering to stockholders on a 1-for-10 basis of sufficient common stock to raise an additional estimated $3,000,000. **Proceeds**—For construction program. **Underwriters**—For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders voted May 5 to increase the authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

Aztec Oil & Gas Co.
Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

Bagdad Copper Corp.
Oct. 26 it was reported company has advised stockholders it had revised downward from $14,000,000 to between $7,000,000 and $8,000,000 its needs for new financing.

Blair Holdings Corp.
June 24 it was announced company plans to issue and sell publicly $2,000,000 of convertible debentures. **Proceeds** — For development of Stanwell Oil & Gas Ltd., newly acquired subsidiary. **Underwriters**—Blair, Rollins & Co. Inc. and The First California Co.

★ Central Illinois Electric & Gas Co.
Oct. 30 it was announced company intends to offer and sell (in addition to 70,400 shares of common stock to stockholders) an issue of 15,000 shares of cumulative preferred stock, par $100, later this year and $4,000,000 of first mortgage bonds about the middle of 1954. **Proceeds** — To repay bank loans and for new construction. **Underwriters** — (1) For preferred stock—Stone & Webster Securities Corp., New York. (2) For bonds—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

● Central National Bank of Cleveland
Nov. 2 offering to stockholders of 140,625 shares of capital stock (par $16) on basis of one new share for each four shares outstanding as of Oct. 27; rights expire on Nov. 24. **Price**—$28 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — McDonald & Co., Cleveland, Ohio.

Central Power & Light Co.
March 2 it was reported company may issue and sell 80,000 shares of new preferred stock. Underwriters—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

Columbia Gas System, Inc.
April 6 it was announced company plans to issue and sell later this year $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Commonwealth Edison Co.
Oct. 19 Willis Gale, Chairman, announced that if the separation of the gas and electric properties is carried out, a substantial block, perhaps $60,000,000, of mortgage bonds constituting a lien on the gas properties would be sold to public investors by Edison as the next step in financing its $1,100,000,000 postwar construction program. Upon transfer of the properties, Northern Illinois Gas Co., the new gas company to be formed would assume the sale obligation of the bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. (jointly).

★ Consumers Power Co. (1/6)
Oct. 30 company filed an application with Michigan P. S. Commission for authority to offer 679,436 additional shares of common stock to shareholders for subscription on basis of one share for each 10 shares held as of Jan. 7, 1954; rights to expire on Jan. 22, 1954. Unsubscribed shares will be offered first to employees. **Price**—To be determined by company and announced on Jan. 4, 1954. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly); Lehman Brothers. **Bids**—To be received on Jan. 6.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debentures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

Erie RR. (12/17)
Oct. 2 it was reported company plans to issue and sell $5,400,000 equipment trust certificates. **Bids**—Expected to be received on Dec. 17. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Essex County Electric Co.
Sept. 21 it was reported company plans issuance and sale of $4,000,000 30-year first mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

★ Firth Sterling, Inc., Pittsburgh, Pa.
Oct. 28 it was reported company plans issue and sale of $1,600,000 6% convertible debentures. **Underwriter**—McCormick & Co., Chicago, Ill.

Florida Power Corp.
Sept. 11 it was announced that the company plans to sell approximately $10,000,000 first mortgage bonds due 1983 the latter part of this year. **Proceeds**—To pay off bank borrowings and for construction purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); The First Boston Corp.

General Tire & Rubber Co.
Oct. 23 it was announced stockholders on Dec. 3 will vote on approving a proposal to provide for an additional class of preferred stock. There are said to be no present plans for issuing any of these shares when authorized.

Houston Lighting & Power Co.
Sept. 25 it was reported company plans some new financing to provide funds for its construction program. Bidders for about $25,000,000 of bonds may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.;; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.

Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Prcoeeds** — To help finance a new bottling plant. **Underwriter**—None.

★ Maine Public Service Co.
Nov. 2 it was announced that company contemplates the issuance and sale during the latter half of 1954 of $2,000,000 first mortgage bonds. Interim bank loans will be utilized until the sale of the bonds. **Proceeds**—For construction. **Offering**—Previous debt financing was done privately.

Milwaukee Gas Light Co.
July 7 company sought SEC approval of a bank loan of $9,000,000 the mature Aug. 1, 1954. These borrowings, plus retained earnings, are designed to finance expansion pending formulation of permanent financing prior to maturity of notes. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

Minnesota Power & Light Co.
Aug. 3 it was announced stockholders will vote Oct. 1 on increasing the authorized common stock (no par) from 2,000,000 shares (858,047 shares outstanding) to 3,000,000 shares and on approving a 2-for-1 stock split. This will place the company in a position to proceed promptly with any new financing that may become necessary. Immediate offer not contemplated. **Underwriters**—May be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Blyth & Co., Inc.

Mystic Valley Gas Co.
Sept. 21 it was reported company plans issuance and sale of about $6,000,000 of bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

Narragansett Electric Co.
Oct. 8 company applied to Rhode Island P. U. Commission for authority to issue 150,000 shares of preferred stock (par $50). **Underwriter** — Previous preferred stock offer (in 1940) was handled by The First Boston Corp. If sold through competitive bidding, probable bidders may include The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); White, Weld & Co.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly).

North American Acceptance Corp.
Oct. 15 it was reported company plans to issue and sell in January all or part of 300,000 authorized shares of preferred stock (par $10), subject to approval of stockholders on Dec. 17. **Underwriter**—J. G. White & Co., New York.

North Shore Gas Co.
Sept. 21 it was reported that company plans issuance and sale of about $3,000,000 bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

Northern Illinois Gas Co.
See Commonwealth Edison Co. above.

● Ohio Edison Co. (1/13)
Oct. 22 it was reported company plans to offer for subscription by its common stockholders of record Jan. 13, on a 1-for-10 basis, 527,830 additional shares of common stock (with an oversubscription privilege). **Price**—Expected to be named on Jan. 11. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp,; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 13.

Ohio Edison Co. (1/19)
Oct. 22 it was reported company tentatively plans to issue and sell an issue of $30,000,000 first mortgage bonds due 1984. **Proceeds** — For repayment of bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). **Bids**—Expected to be received on or about Jan. 19.

★ Pacific National Bank of San Francisco (Calif.)
Oct. 28 it was announced that company is offering stockholders of record Oct. 26 the right to subscribe for 37,400 shares of common stock (par $20) on the basis of two new shares for each three shares held; rights to expire on Nov. 25. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Elworthy & Co. and Shuman, Agnew & Co., both of San Francisco, Calif.

Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. **Offering**—Not expected until the early part of 1954.

★ Pennsylvania RR. (11/17)
Bids will be received by the company up to noon (EST) on Nov. 17 for the purchase from it of $4,230,000 equipment trust certificates to mature annually from March 1, 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early next year. **Proceeds**—For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Riddle Airlines, Inc., New York
Aug. 11 it was announced company plans future public financing to secure cargo transport aircraft.

● Seaboard Finance Co.
Oct. 29 it was reported company may offer publicly $20,000,000 of debentures before the end of this year. **Underwriter**—Probably The First Boston Corp., New York.

Sky Ride Helicopter Corp.
Sept. 3 it was announced that the company contemplates issue and sale of 1,490,000 additional shares of capital stock (no par), following completion of present offering of 10,000 shares at $2 per share. **Offering**—Expected in November or December. **Office**—1705—38th St., S. E., Washington, D. C.

Southwestern Development Co.
See Westpan Hydrocarbon Co. below.

Southwestern Public Service Co.
Aug. 6 it was announced company plans to issue and sell about $20,000,000 of securities (to consist of around $12,000,000 bonds; from $2,000,000 to $3,000,000 of preferred stock; and the remainder in common stock, the latter to be offered first to stockholders on a 1-for-13 basis). **Underwriter**—Dillon, Read & Co., New York. **Offering**—Expected in January or February 1954.

Suburban Electric Co.
Sept. 28 it was reported company plans issuance and sale of about $4,000,000 bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

West Coast Transmission Co.
Oct. 14 it was announced that company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Westpan Hydrocarbon Co.
July 1 SEC granted Sinclair Oil Corp. an extension of six months from June 21, 1953, in which to dispose of its holdings of common stock in Westpan and the Southwestern Development Co. Sinclair owns 384,860 shares (52.85%) of the stock of each of the other two companies. **Underwriter**—May be Union Securities Corp., New York.

Williston Basin Pipeline, Inc., Billings, Mont.
Oct. 21, A. W. Hartwig, President, announces company plans to build a pipeline from the Billings-Laurel refining area to Glendive, Mont., to cost approximately $7,000,000. Financing expected to be done privately. **Underwriter**—Dillon, Read & Co. Inc., New York.

Continued from page 6

What This Country Needs to Survive

ago that the danger was not that we might go "isolationist," but that isolationism might be thrust upon us.

We are apparently on the verge of seeing these things come to pass. This country, slowly but surely, is being isolated. Our "Allies" are pressuring us to deal with Russia—even though we all know the Communist goal is a communized world. They will deal with Russia whether we do or not. They will insist on admitting Communist China to the United Nations. Korea will remain divided. While our debt continues to grow!

Must Live Within Our Means

Would we have been any worse off if we had been "going it alone"?

To be economically strong, we must once more get back to the attitude that a debt should be treated as a debt and not as an asset; that it is not something to be passed on to our children and our children's children as if we were in no way responsible for it. We must also return once more to the habit of living within our means—something we have not done for 20 of the last 23 years. And lastly, we must restore an honest currency rather than continue to operate with a printing-press dollar that has no tangible value back of it.

As you are quite aware, our national debt is now nearing the $275 billion mark. This is a debt almost beyond our ability to comprehend. It is twice the assessed value of all the taxable real estate in America. Yet we seem determined to bequeath this debt to our children—and I submit to you we could commit no more dastardly a crime.

There is undoubtedly good argument as to why the present Administration is not able to balance the budget for the current fiscal year. At the end of this year, however, is where the argument should end and no further excuses should be accepted short of another world-wide conflict.

If they say, for instance, that they are obligated to cut taxes, which they are on January 1, 1954, and that income will therefore not be sufficient to balance the budget next year, they should simply be told to cut expenses just that much more.

If they say that foreign aid, for instance, must be continued—and they seem to be proposing that it shall be, indefinitely; and are recommending around $6 billion for next year—they should be told that the whole policy of foreign aid is highly questionable in the first place; and in the second place, if it means an unbalanced budget it should be summarily ended.

There has undoubtedly been a lot of fuzzy thinking with regard to foreign aid since the end of the Second World War. We have seemed to operate under the idea that we could go out and buy friends like we could buy a ton of coal or a bushel of wheat—when we should have known that this could not be done. In fact, perhaps the best way to lose a friend is to stop a policy of loans or gifts after it has once been started. If the love of liberty does not exist in the hearts of the people themselves, we can be quite sure that no number of dollars will put it there.

Moral Strength of the Nation

There is a third strength, however, that is even more important than military strength or economic strength—and that is moral strength. Whatever we do along the first two lines will not mean anything unless we remain true to the ideals on which our nation was founded and under which we have prospered.

This nation may not have been founded by Divine Guidance as some have claimed, but it was certainly founded on the fundamental religious principle of individual freedom and the right of the individual to carve out his own destiny and choose his own future.

It was my privilege recently to address a meeting of 2,000 high school students on the subject of the American Free Enterprise System. To me it was an inspiring occasion—and I would like to say right here that there is nothing wrong with our youth if we will only give them a chance—if we will only leave them the same economic freedom that was left us by our forefathers and the same opportunity that was created for all the people of this country when our nation was founded.

American Free Enterprise, it seems to me, is American idealism in action. I am sure that most all of us will agree that the free enterprise system is the secret—if it can be called a secret—of our success. It has produced for the American people the greatest productive capacity and the highest standard of living the world has ever known. Isn't it strange that we should be tempted to throw overboard this proven system for a "government'll - take - care - of - you" system, a "something for nothing" system that has never yet worked in the history of the world and can only bring degradation and ruin to all who try it? Yet, as you well know, we have been tempted, we are being tempted, and perhaps we shall always be tempted. The British, as you know, did throw private enterprise overboard to accept Socialism, and it brought them to the brink of ruin.

What Free Enterprise Means

Even though we profess our belief in our free enterprise system, however, there is considerable question as to whether the average person knows what it actually is or could clearly define it.

It seems to me that basically the free enterprise system means freedom of the individual. Under the free enterprise system the individual is free to make something of himself if he has the enterprise to do it. Too many people put too much emphasis on "free" and too little emphasis on "enterprise."

Under the free enterprise system the individual has the incentive to work and save and invest and profit thereby so long as he harms no one in the process. And his future depends upon his own ambition.

As long as people live, though, there will undoubtedly be those who will shirk from accepting freedom as their own responsibility. They will want their government to provide their security, guarantee them minimum wages, guarantee them full employment, guarantee them good prices for their products, guarantee them good housing, guarantee the solvency of their loans, guarantee them medical care, and many other things.

Such people are thereby choosing slavery rather than freedom, for this is the security of the penitentiary — this is the freedom of totalitarianism—this is the rejection of individual responsibility. So far as the United States of America is concerned, such choice would be a betrayal of our whole heritage and an abandonment of the philosophy under which we have grown and prospered. In other words, too many of us are talking one way and acting another; too many of us howl for economy in government generally but howl just as loudly for specific appropriations in our own communities that affect our individual welfare. Too many of us don't object to the government entering the field of business just so long as it doesn't enter **our** field. Too many of us object to the Socialism of state control on the one hand and accept Federal handouts on the other.

Government-Provided Security Versus Individual Freedom

It is high time the truth of that old saying, "You can't have your cake and eat it too," was impressed upon us again. We can't have both government-provided security and individual freedom.

You have perhaps heard it said that the reason Socialism won't work is because Socialists won't work. There is a lot of truth to that statement but there is a fundamental underlying reason why Socialism won't work. Socialism kills incentive, it stifles initiative, and it destroys ambition. Socialism doesn't propose to create anything; it only proposes to take over what private enterprise has already created and handle it in what it calls the "better interest" of the people. Socialism penalizes superior ability and it subsidizes laziness.

Prime Minister Atlee made a speech while I was in Britain a few years ago, in which he made the statement, "The function of Socialism is to control the blind economic forces that govern the affairs of man." This statement contains the great fallacy of the Socialist doctrine. What the Socialists don't seem to realize is that these economic forces are anything but blind, that they are natural laws representing the combined opinions and the combined intelligence of all the people all the time.

What Mr. Atlee was saying, of course, was that the people cannot be trusted to use their combined intelligence, that is, to govern themselves, and that these decisions and this planning must be placed in the hands of a small selected group who have assumed unto themselves the ability to decide things for the people better than the people could decide things for themselves.

That is, of course, a fundamental denial of the whole principle of freedom. It takes a lot of patience to believe in the democratic processes, in the dignity of man, in the ability of the people to govern themselves, but unless we do believe these things we have surely betrayed the principles on which our own nation was founded.

It is a sobering thought to realize that some day the United States of America may simply be the name of a once great nation that is studied about by pupils in the classroom, that like other strong nations before us, we may reach the peak and decline into oblivion. Yet we can be quite sure that such will be our fate if we do not remain true to these principles and ideals, and we should certainly remember that there is only one important difference between other strong nations of history that have met this fate and ours right here in the United States of America.

In those other nations the people had no part whatever in the control of their government, while here for the first time in the history of nations was founded a government that belonged to the people rather than a people who belonged to their government. It is the difference between a man doing something for himself and having it done for him; it is the difference between a man pursuing his own happiness and having it planned for him; it is the difference between freedom and slavery.

Surely, at some time in history there shall be a nation that will preserve unto itself the principles that make for the ever-increasing welfare of the people, that will make secure the worth and dignity of the individual, that will lead the peoples of the earth on to that permanent era of peace on earth and good will to men which is the ultimate goal of human achievement. I know that we would all like to believe that the United States of America is that nation.

Destiny Challenges America

That, it seems to me, is the opportunity that faces America at the present time. It is also the responsibility. Will this nation meet the challenge and lead the world on to greater heights or will it betray its heritage, renounce its principles and relinquish its ideals to the musty archives of history? Truly, destiny challenges America!

And I cannot close without pointing out where the decision lies. It lies in your hands and mine—in the hands of each person in this nation. After all, this is still a government by the people, and the kind of government we have still depends upon the decision of its individual citizens. We have not yet reached the point where we have only one candidate on election day and where the people are marched to the polls like dumb animals to vote for that candidate without rhyme or reason on their part. We must keep it that way. We must always remember that citizenship in a free nation is an individual responsibility that rests upon each and every one of us alike and there is not a one of us who can escape it.

Continued from page 5

Observations . . .

nancing, the Commission is actually aggravating a long-standing serious abuse against the individual investor. I refer to the grossly unfair call feature which the public bond buyer has had to swallow; under which the seller, but not the buyer, takes the privilege of abrogating the contract (with a penalty that is wholly inadequate if not entirely irrelevant) during its life if and when conditions render such action to his (the corporate borrower's) advantage.

The net result to the lending-investor is that the only way his contract will be fulfilled according to agreement is if money rates do not fall materially, and if the company remains solvent. If money rates turn downward, the issuer is given the privilege of a partial "welsh" while in the event of insolvency, there is, of course, an involuntary "welsh." If money rates rise, on the other hand, the contract sticks—to the benefit of the borrower. **A strictly "heads-you-win-tails-I-lose" proposition!**

In England, this inequity is well recognized. Known as the "one-way option," the call privilege is used relatively rarely, is generally unpopular, and is actually spurned by institutional investors.

This gross inequity inflicts a major injury on our great body of individuals buying bonds directly, who are unaware or unable to protect themselves; and on the millions of investors in insurance policies as well.

The Commissions in Reserve

One could think that the SEC would use its good offices, or "something stronger," to stop the practice. On the contrary, however, along with the Federal Power Commission, it has indicated its affirmative belief in the desirability of the call feature. In fact, in two recent instances, namely in the Arkansas and Louisiana Gas Company and Indiana and Michigan Electric Company offerings, it actually proclaimed its vigorous opposition to the omission of the call option. "We look with strong disfavor upon the issuance of non-redeemable [by the borrower] senior securities," was the SEC's official pronouncement regarding the Indiana and Michigan Electric indenture.*

How the SEC, charged with protecting the investor, can justify its furtherance of such investor-undermining in exchange for the nebulously justifiable benefits of this corporate "chisel," is difficult to understand.

A third important manifestation of misguided interest by the SEC, along with other interested government bodies, has arisen in its policy of compelling competitive bidding in the distribution of new issues. In its zeal to stop some underwriting abuses, real or fancied, the regulatory body, through forcing the purchase price to the maximum via the traditionally-proven auction technique, is again harming the public investor whom it is committed to protect.

* Cf, Public Utility Holding Co. Act release No. 12140.

Continued from page 8

NSTA Notes

Steven, Jr., A. C. Allyn & Company, Inc.; Carl Swenson, G. H. Walker & Co.; Arnold J. Wechsler, Ogden, Wechsler & Co.

Nominations other than those selected by the Nominating Committee can be made by a petition presented to the Secretary endorsed by 15% of the members eligible to vote for candidates. All nominations shall close fifteen (15) days prior to the Annual Election. No further nominations may be made at the Annual Meeting."

Members of the Nominating Committee were: Joseph C. Eagan, Frank C. Masterson & Co.; James E. C. Gavin, Walston & Co.; Joseph M. Kelly, Burnham & Co.; Paul J. Lane, Kidder, Peabody & Co.; Harry L. Arnold, Goldman, Sachs & Co., Chairman.

CONVENTION PAYS IN CONTACTS

Phillip J. Clark, Amos C. Sudler & Co., Denver, newly elected President of the National Security Traders Association, has received the following letter from one of those in attendance:

"The Sun Valley trip was not only a great deal of fun, which we thought would be the extent of it. However, it has turned out to have been a real business contact medium for us."

Our Reporter's Report

The gilt-edge section of the investment market has been rather slow in responding to indications of renewed easing in the money market.

And in consequence several recent new issues have been lagging as far as their final distribution among institutional investors is concerned.

For the moment bond men are keeping their attention focused on the Treasury market which is normally the first to respond to such changes in interest rates. Strength here would help lagging new issues.

Heavy over-subscription revealed for the Treasury's 2¾s, even after allowing for the customary "padding" of bids by those seeking to assure satisfactory allotments, suggested that large investors are finding it difficult to place mounting funds.

Yet it was apparent, in spite of the proportionately small allotments, that potential buyers of the new Treasury loan were in no mood to help "free riders" (and despite all efforts there was a sprinkling of these), to get out with quick profits.

With yesterday the first trading day since allotments were announced, the new issue though decidedly active revealed a strong disposition on the part of buyers to avoid "reaching" for the bonds. After backing off from the previous high, however, the issue later developed new firmness.

Money Pressing

Further evidence of the pressure of funds seeking employment in the money market is developing. For example the three leading lenders of consumer credits again have reduced their rates.

This marks the third such action within a period of five weeks and reflects the steady rise in the supply of funds available for investment. The series of cuts are the first in over two years.

New rates now range from 2% for notes due in 30 to 89 days, to 2⅜% for those maturing in nine months.

Building Up Roster

Four more companies, all public utilities, have put forward plans for new financing within the last few days. And three of the projected issues are of the size and type which hold promise of real vigorous competition in bidding.

The Consumer's Power Co.'s program, however, calls for an issue of 679,436 shares of additional common on "rights" in the ratio of one new share for each 10 held Jan. 7 next.

Northern Natural Gas Co. has registered $25,000,000 of new debentures of 20-year maturity, while Tennessee Gas Transmission Co. has filed to cover an equivalent amount of new first mortgage pipeline bonds, also due in 20 years.

Monongahela Power Co. has disclosed plans for the sale of $10,000,000 first mortgage bonds to finance construction. So that while the current calendar is still decidedly light the future appears to be building.

New Business Slow

The near-term outlook in new issues is for continued extreme dullness unless some negotiated deals develop suddenly. Next week will bring Long Island Lighting Co.'s $25,000,000 of new 30-year first mortgage bonds to market for bidding.

Thereafter, as things now loom, there is a wide gap, until Nov. 23, when Gulf States Utilities Co. will put up an issue of $10,000,000 of 30-year, first mortgage bonds, under its plans to obtain funds for financing new construction.

American Water Works Offer Oversubscribed

W. C. Langley & Co. and The First Boston Corp. headed an underwriting group which on Oct. 30 offered 225,000 shares of cumulative preferred stock, 6% series of American Water Works Co., Inc. at par ($25 per share), plus accrued dividends from date of issue. This offering was oversubscribed and the books closed.

Net proceeds from the sale of this stock and from the sale of $20,000,000 principal amount of sinking fund collateral trust 5% bonds to institutional investors will be applied as follows: $14,773,500 to redeem $14,700,000 principal amount of the company's 10-year 3 collateral trust bonds, due 1957; $300,000 to reimburse the treasury of the company for a sinking fund payment made for the redemption of a like amount of such bonds on Sept. 1, 1953; $5,624,907 for additional investments in its three intermediate holding companies to enable them to redeem outstanding preferred stocks having aggregate par or stated values of $5,241,900 and 6% and 7% dividend rates; and the balance will be used in making additional investments in subsidiaries for property additions and other corporate purposes.

American Water Works Co., Inc. is engaged principally in the ownership, control and management of water supply and distribution systems. The company owns and controls 63 waterworks companies with facilities in 19 states serving territories with an aggregate population in excess of 3,000,000. These 63 companies constitute the largest group of privately owned waterworks systems in the United States.

Other members of the underwriting group include: Glore Forgan & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp., and White, Weld & Co.

DIVIDEND NOTICES

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

October 29, 1953

Board of Directors has declared for quarter ending December 31, 1953 DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable January 20, 1954 to shareholders of record January 5, 1954. Also declared a DIVIDEND of FIFTY CENTS per share on COMMON STOCK, payable December 1, 1953 to shareholders of record November 10, 1953.

G. F. CRONMILLER, Jr.
Vice President and Secretary

Berkshire FINE SPINNING ASSOCIATES INC

The Board of Directors of the Berkshire Fine Spinning Associates, Inc. has declared a dividend of 25 cents per share on the Common Stock, payable December 1, 1953 to stockholders of record November 10, 1953.

MALCOLM G. CHACE, JR.
October 29, 1953. *President.*

THE FLINTKOTE COMPANY

30 ROCKEFELLER PLAZA — FLINTKOTE PROTECTION — NEW YORK 20, N. Y.

A quarterly dividend of $1.00 per share has been declared on the **$4 Cumulative Preferred Stock** payable December 15, 1953, to stockholders of record at the close of business December 1, 1953.

A regular quarterly dividend of $.50 per share has been declared on the **Common Stock** payable December 10, 1953, to stockholders of record at the close of business November 25, 1953. A year-end dividend of $.50 per share has been declared on the **Common Stock** payable January 5, 1954, to stockholders of record at the close of business November 25, 1953.

CLIFTON W. GREGG,
Vice-President and Treasurer

November 4, 1953

DIVIDEND NOTICES

TECHNICAL OIL FIELD SERVICES

LANE-WELLS COMPANY

Dividend No. 66

The Directors have declared a quarterly dividend of 40 cents and an extra dividend of 10 cents per share on the common stock, payable December 15, 1953, to stockholders of record November 18, 1953.

WILLIAM A. MILLER
Secretary-Treasurer

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today a 3 per cent common stock dividend, payable in common stock December 21, 1953 to common stockholders of record at the close of business November 16, 1953.

The Goodyear Tire & Rubber Co.
By Arden E. Firestone, Secretary
Akron, Ohio, November 2, 1953

The Greatest Name in Rubber

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable December 1, 1953, to stockholders of record November 6, 1953.

EDWARD L. SHUTTS,
October 28, 1953 *President.*

KINNEY

30c SPECIAL DIVIDEND
also
REGULAR 35c QUARTERLY ON COMMON

At meeting held October 28, the Board of Directors declared a Special Dividend of 30c in addition to the regular quarterly dividend of 35c per share payable on December 28 to holders of record of Common stock on December 10, 1953.

REGULAR $1.25 QUARTERLY ON PRIOR PREFERRED

It also declared regular quarterly dividend of $1.25 per share on the $5.00 Prior Preferred stock payable December 4 to holders of record on November 10, 1953.

EDWARD HOLLOWAY, Secretary

G. R. KINNEY CO., INC.
2 Park Avenue, New York 16, N. Y.

DIVIDEND NOTICES

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable December 15, 1953, to stockholders of record November 30, 1953. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

November 3, 1953.

PEPPERELL MANUFACTURING COMPANY

PEPPERELL FABRICS

Boston, October 30, 1953

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable November 16, 1953, to stockholders of record at the close of business November 9, 1953. Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, *Secretary*

160 State Street, Boston, Mass.

pf PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 50 cents per share on the common stock ($10 par value), payable December 1, 1953, to stockholders of record November 14, 1953, was declared by the Board of Directors on Oct. 28, 1953.

B. C. REYNOLDS, *Secretary*

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of $.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable December 20, 1953 to stockholders of record at the close of business December 10, 1953.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable December 20, 1953 to stockholders of record at the close of business December 10, 1953.

The transfer books will not be closed

WALTER H. STEFFLER
Secretary & Treasurer

October 27, 1953

DIVIDEND NOTICES

SOUTH AMERICAN GOLD & PLATINUM COMPANY

61 Broadway, New York 6, N. Y.

October 19, 1953.

A quarterly dividend of ten (10¢) cents per share has been declared payable December 14, 1953, to stockholders of record at the close of business on November 30, 1953.

JOHN G. GREENBURGH, Treasurer.

Esso STANDARD OIL COMPANY

(INCORPORATED IN NEW JERSEY)

The Board of Directors has declared a

Cash Dividend on the capital stock of $1.50 per share on October 29, 1953. Of this dividend 75 cents per share was designated as regular and 75 cents per share as extra, payable on December 11, 1953, to stockholders of record at the close of business on November 9, 1953.

30 Rockefeller Plaza, New York 20, N. Y.

UNION CARBIDE AND CARBON CORPORATION

UCC

NEW YORK, October 29, 1953—the Board of Directors of Union Carbide and Carbon Corporation has today declared a quarterly dividend of 50¢ per share and a SPECIAL DIVIDEND of 50¢ per share, total $1.00 per share, on the outstanding capital stock of the Corporation, payable December 1, 1953 to stockholders of record November 9, 1953. The last dividend was 50¢ per share paid September 1, 1953.

Payment of this dividend on December 1st will make a total of $2.50 per share paid in 1953, the same amount as was paid during 1950, 1951, and 1952.

KENNETH H. HANNAN
Secretary and Treasurer

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼c per share on the 5% Convertible Preferred Stock has been declared payable December 1, 1953, to stockholders of record November 13, 1953.

A regular quarterly dividend of 30c per share on the Common Stock has been declared payable November 30, 1953, to stockholders of record November 13, 1953.

M. E. GRIFFIN,
Secretary-Treasurer.

Common and Preferred DIVIDEND NOTICE

October 30, 1953

The Board of Directors of the Company has declared the following regular quarterly dividends, all payable on Dec. 1, 1953, to stockholders of record at the close of business Nov. 6, 1953:

Security	Amount per Share
Preferred Stock, 5.50% First Preferred Series	$1.37½
Preferred Stock, 4.75% Convertible Series	$1.18¾
Preferred Stock, 4.50% Convertible Series	$1.12½
Common Stock	$0.25

Secretary

TEXAS EASTERN *Transmission Corporation*
SHREVEPORT LOUISIANA

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is a great deal of uneasiness in conservative circles over the decision of the Atomic Energy Commission to go ahead with the construction of a $100 million nuclear power plant as a government project.

Thomas E. Murray, an AEC member, announced this project in an address late last month before the Electric Companies Public Information Program.

Commissioner Murray argued that it was just as important for the United States to beat Russia in the nuclear power race as it was to beat Russia in the development and production of nuclear weapons.

His thesis was that it would be a terrible blow to the free world if Russia could demonstrate her peaceful intentions re development of the atom, by being the first nation to develop nuclear power. His further thesis was that if Russia first developed nuclear power and offered it to the rest of the world, then Russia somehow would be able to persuade the balance of the free world that its technology was superior to America's and in some strange, unexplained way preclude the United States from foreign supplies of uranium.

Finally, Mr. Murray simply ruled out as impracticable, because of its very high cost, any possibility that the private power industry could develop nuclear power generation successfully.

Is Government Monopoly

To protect the security of the United States, Congress provided that atomic energy shall be a monopoly of the Federal government. No one shall be allowed to possess fissionable material, except on such strictly-regulated terms as the government prescribes.

Without necessarily questioning the necessity for this monopolistic characteristic of atomic development, conservatives have nevertheless from the beginning shuddered with fear as to what it might do to the free society. It could happen, even under the most conservative of future Presidents, that government might as governments usually are, be hesitant to surrender a vast control over society which the development of the atom would place in the hands of bureaucrats.

Hence, if the development of the atom does in fact lead to a great industrial revolution, a generation or so hence might find the production and business of the United States unwittingly controlled almost completely by the government through its monopoly of the atom.

And it does not follow, of course, that future Presidents of the U. S. shall necessarily be conservative and opposed to government control of the business of the people of the United States. It is even possible that the nature of the Constitution could change drastically.

Sought Liberalization

So industry and elements in government have been moving toward a liberalization of this monopoly. There has been pending a project to make public atomic developments and information to domestic U. S. industry. The AEC favored such a project before Congress, and was supposed to be working on acceptable legislation. At last reports, the problem holding up this legislation was the complicated question of how to handle patent rights when industry itself should make constructive advances in the application or use of the atom.

Such a piece of legislation was supposed to pave the way for a major effort by American industry to develop nuclear power, upon which several companies have been working hard.

Mr. Murray, however, has tossed all that into the ash can, by saying the development of atomic power is too urgent for delaying while private industry undertakes it, and anyway it costs too much to make it practical for private development.

Mr. Murray also indicates quite clearly that the sense of urgency arises because of what has come to be called by non-government people as the "Great Russian H-bomb Scare of 1953." This is the series of announcements which implied, but did not quite say, that Russia first exploded an H-bomb on Aug. 12, but by as soon as Oct. 5, was in a position to devastate urban America by delivering hundreds of these weapons upon American cities.

Information Is Monopoly

Information about the atom and H-bomb and all nuclear developments, American and foreign, is also a government monopoly. There is no way for any correspondent or any but a handful of members of Congress, to check and ascertain, even for their own confidential judgment, how far either the U. S. or any foreign country has progressed in either atomic weapons or peacetime applications of the atom. All this information is strictly secret, and even select members of Congress may only read what is put before them by officials of the AEC, the Pentagon, or the Central Intelligence Agency.

Hence there is no way for an outsider, even if he preserved absolute silence about what he saw, to check and see whether the alleged Russian progress was reported by hysterical foreign intelligence, or was uniformly supported by all intelligence reports.

It might be assumed that AEC and other officials who have access to this information have the highest motives and in the main, the soundest judgment. It may not be assumed, however, that, different from the commonalty of all mankind, they are free from unconscious personal motives, unmoved by their occupational interest in promoting a larger defense program, a greater governmental expenditure for atomic developments, or a feeling that only government men can be counted upon to develop the atom revolution wisely.

Liberalization Is Postponed

So in effect the program of liberalization of atomic information is postponed. Even if legislation of that character is passed, the government has preempted nuclear power—at the heart of the possibility of working a great industrial revolution—as its own project.

To be sure, Mr. Murray appears to invite private industry in to consult, advise, and help. However, the effect of the decision of the AEC to ditch private industry and itself undertake development of nuclear power is this: The decision as to whether the development of the atom shall be used almost exclusively by government or whether the genius of American industry shall develop its peacetime uses, is postponed for another three or four years, or until this nuclear power project is completed.

In another three or four years there could be a President serving in the White House who is hostile to private power.

This leaves the future of the atom a hostage to the fate of politics. In this respect it is reminiscent of the Administration's opposition to the Bricker amendment to forbid the use of treaties and agreements to alter the Constitution of the United States. This Administration says it will not use the treaty power to alter the Constituion. This Administration, however, cannot commit a future Administration to such restraint.

Hints Compulsory Manpower Control

There is also a definite indication that certain elements of the Eisenhower Administration are flirting with the idea of recommending compulsory controls over manpower during a new all-out war. Such controls would empower the government to direct what work people should undertake during a war.

What happened is that the Labor Management Manpower Committee to the government advised that, in case of another full war, that the U. S. follow the same voluntary manpower program utilized in War II. This group represents industry and labor.

When this was submitted to the Manpower Policy Committee of the Office of Defense Mobilization, the latter turned down the voluntary plan and recommended the use of compulsory controls "when, and to the extent needed."

The Manpower Policy Committee is a governmental Committee headed up by the Office of Defense Mobilization, whose director is Arthur S. Flemming.

Pentagon Jumps the Gun

Here is how the story got released to the press of the President's plan to consolidate foreign military aid into the defense budget:

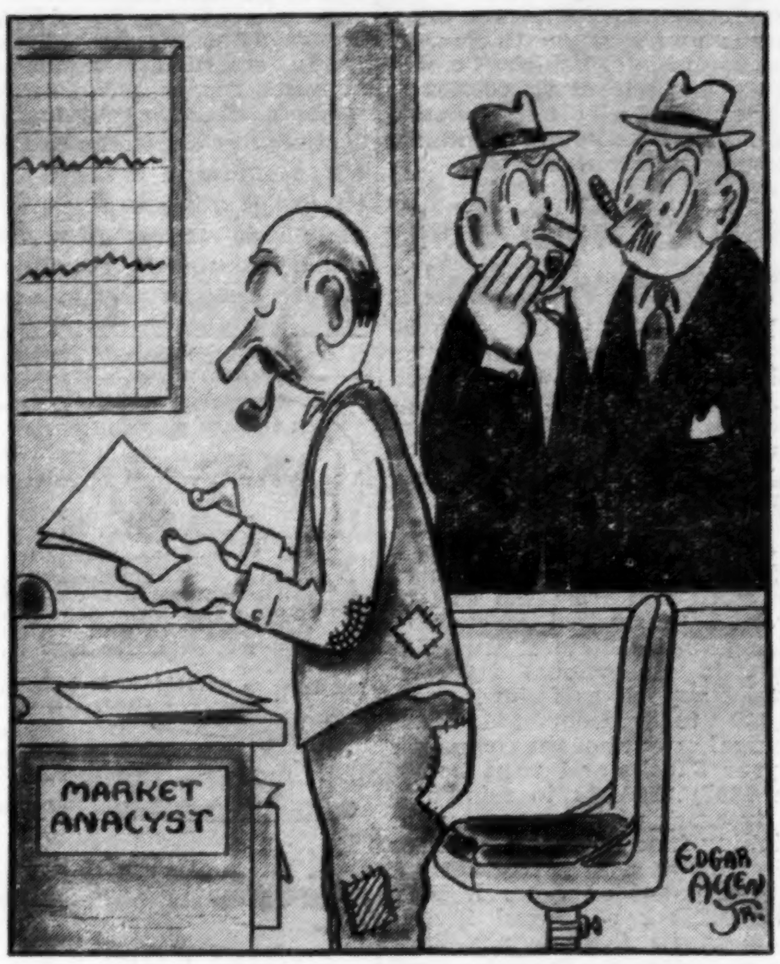
Mr. Eisenhower thought this would be a good scheme, for many reasons. One of them was that it might help to save a substantial foreign military aid program from attack by Congress. He asked that this proposal be circulated among agencies for discussion and comment, before it was finally adopted and became an official Administration proposal.

This got to the Pentagon and the military folks could hardly wait to spill the story, hoping that publicity would help to sew it up. So a certain individual in the Pentagon threw a nice luncheon for invited correspondents and gave out the whole story.

From the point of view of the Pentagon, which actually does most of the work of administering foreign military aid, this was a wonderful idea. The military joy was over eliminating such annoyances as Harold Stassen, FOA Administrator, with whom the best-laid programs have to be cleared. That the scheme might cost the taxpayers some money by securing a larger military aid program, was no concern to the Pentagon.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"There's just a certain something about him that doesn't inspire very much confidence!"

COMING EVENTS

In Investment Field

Nov. 10, 1953 (New York City)
Security Traders Association of New York Beefsteak Dinner at the Antlers.

Nov. 16, 1953 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia Dinner Meeting at the Sylvania Hotel.

Nov. 18, 1953 (New York City)
Association of Stock Exchange Firms Annual Meeting and election.

Nov. 19, 1953 (New York, N. Y.)
Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, Annual Dinner at the Hotel Statler.

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.)
Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

June 9-12, 1954 (Canada)
Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

J. A. Hogle Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif. — Peter Montgomery, Jr., has been added to the staff of J. A. Hogle & Co., 1030 Sixth Avenue.